



中國高速傳動設備集團有限公司*

China High Speed Transmission Equipment Group Co., Ltd.

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 658)

2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

* For identification purpose only



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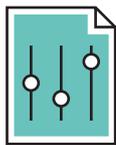
ABOUT THIS REPORT

China High Speed Transmission Equipment Group Co., Ltd. (hereinafter referred to as “China High Speed Transmission” or the “Company”) and its subsidiaries (collectively referred to as the “Group” or “We”) are pleased to present the fifth Environmental, Social and Governance (“ESG”) Report (the “Report”).



Reporting Scope and Year

Unless otherwise stated, this Report covers the sustainable development philosophy, strategy and performance of our major manufacturing business segments (design, manufacturing and distribution of wind gear transmission equipment and industrial gear transmission equipment) during the period from 1 January 2020 to 31 December 2020 (the “Reporting Period”). The Group reviews our reporting scope continuously in an endeavor to extend the scope of disclosure on environmental and social performance in the Report. This year, we extend the scope of disclosure on environmental key performance indicators (“KPIs”) to cover the wind gear transmission equipment segments and industrial gear transmission equipment segments, of which the latter segment is newly added. For further details regarding the corporate governance of the Group, please refer to the section headed “Corporate Governance Report” in the 2020 annual report of the Group.



Reporting Standards

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) under Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) published by The Stock Exchange of Hong Kong Limited (“HKEX”). It has complied with the disclosure principles of materiality, quantitative, balance and consistency set out in the ESG Guide.



Access to the Report

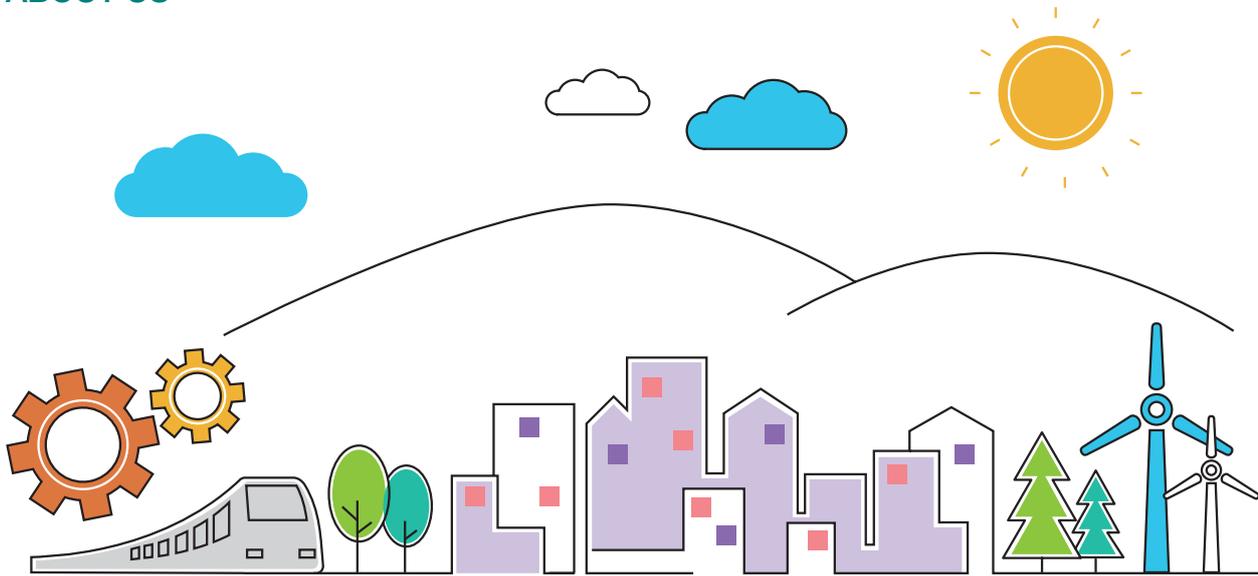
The Report is available in both Chinese and English on the HKEX website and website of the Company at www.chste.com.



Feedback

The purpose of this Report is to fulfil the non-financial reporting obligations, and more importantly, to establish a communication platform to strengthen the understanding between us and our stakeholders and provide valuable guidance for the sustainable development of the Group. We welcome opinions from different parties regarding the content and reporting method of this Report and our sustainable development performance by email to ir@chste.com.

ABOUT US



Founded in 1969, the Group has been embracing the mission of “Geared for a Better Future” since then. As an expert of gearbox and transmission technology solution in the world, the Group has been featuring tremendous technological strength on manufacturing gear transmission equipment, rich experience in production and advanced manufacturing technique and its products have widely been applied to various industries such as wind power, rail transport and industrial equipment. We emphasize on continuous innovation, and have been putting great efforts on technological innovation and scientific advancement, and have been a supplier with stable growth, reliable quality and comprehensive services in the global gear transmission equipment industry. With our national-level technology center, we have been dedicated to several national, foremost and major science and technology projects. We have also been recognized as a Model Enterprise of CIMS Application under the 863 State Plan, a National Innovative Pilot Enterprise and a National Demonstrative Enterprise of Technology Innovation.

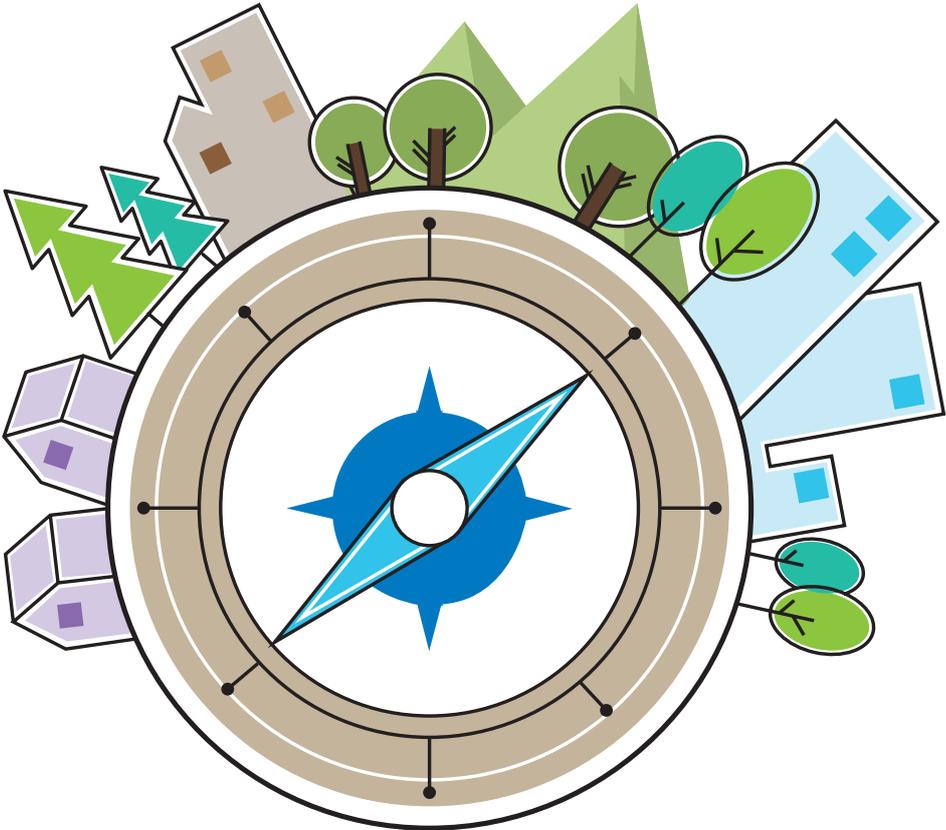
We are headquartered in China with a global vision and keep an open mind to implement the strategy of globalized operation. While consolidating its domestic market, the Group has established operation centers and service centers in the Americas, Europe, and Asia-Pacific region, and provides quality products and service for international customers, thereby further improving the Group’s brand influence and achieving global and sustainable development. Under the global strategic framework of focusing on the development of transmission technology, we keep growing at a pace faster than the market average through its visionary market strategy, continuous development in innovation, advanced manufacturing technology, management concept of “zero defects”, high-level investments in human resources and excellent corporate culture, and have become a stable and sustainable leader of the industry.



SUSTAINABLE DEVELOPMENT APPROACH

As a responsible corporate citizen, the Group is committed to creating sustained value for stakeholders and promoting the Group’s sustainable development by integrating environmental, social and governance considerations in doing business. Sustainability is an essential part of the Group’s mission, systems and processes, and is treated holistically in our day-to-day operations and risk management. We believe that sustainability encompasses not only the environmental performance and contribution of the Group to the wider community, but also underpins the Group’s core business practices and our relationships with shareholders, employees, customers and suppliers.

To constantly and effectively review and monitor ESG-related risks arising from the Group’s development, the Board has formulated relevant risk management policies. The management of the Group is responsible for identifying, evaluating and managing relevant risks, and reporting these risks to the Board at least once a year. We have established a safety and environmental department, which is responsible for identifying and managing environmental risks, developing an Environmental and Occupational Health and Safety Management System and formulating risk management measures and targets relating to the environment, society and governance at the beginning of a year with close monitoring of the implementation of relevant targets at the subsidiary level. The heads of different departments are responsible for risk management. Our environmental management system and environmental management policy have obtained ISO 14001:2015 certificates. Our occupational health and safety management system and management policy have also obtained ISO 45001:2018 certificates.



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COMMUNICATION WITH STAKEHOLDERS

Under the ever-changing and fast-paced environment, enterprises are required to continuously improve their effectiveness and efficiency in order to meet various product requirements of major stakeholders. Also, to achieve sustainable corporate development, a socially responsible enterprise shall consider both business development and expectations and requests of stakeholders. Our key stakeholders include customers, suppliers, shareholders, employees and labour union, governments and regulatory authorities, general public and nearby communities etc. The Group communicates closely with our stakeholders mainly through daily operation, forums, meetings, shareholder meetings, trainings, sharing sessions and seminars etc., to actively understand their thoughts, concerns and needs, thereby safeguarding the interests of stakeholders and maintaining high standards of operation and compliance.

Key Stakeholders	Ways of Communication
Customer	<ul style="list-style-type: none"> Customer visit and customer appreciation day event Official website and official account on social platform Communication through customer hotline Customer satisfaction survey Business routine activity
Supplier	<ul style="list-style-type: none"> Supplier visit and supplier day event Exchange meeting Official website and official account on social media-platform Communication through business activity
Shareholder	<ul style="list-style-type: none"> General meeting Regular report and company announcement Exchange meeting Official website and official account on social platform
Employee and labour union	<ul style="list-style-type: none"> Employee representative meetings and internal meetings Email and mailbox for general manager Internal publication Official account on social media-platform
The government and supervisory authority	<ul style="list-style-type: none"> Policy and guidelines Meeting with the government Regulatory notice Site investigation
General public and nearby community	<ul style="list-style-type: none"> Site visit Charitable activity Official website and official account on social media-platform



MEASURES TO COUNTER CORONAVIRUS PANDEMIC

In the face of the sudden outbreak of the coronavirus pandemic, we exercised our responsibilities in respect of infection prevention and control by being proactive in the implementation of various decisions and plans, and putting the health of employees in the first place. We continued to monitor developments related to COVID-19 and made necessary adjustment in a stable and orderly manner. To minimize the impact of the epidemic, we perfected various preventive measures. Besides, we also provided appropriate support to the society and fulfilled our responsibilities as a corporate citizen.

COMMUNITY INVESTMENTS MADE FOR THE PANDEMIC PREVENTION AND CONTROL

Donating
RMB10,000,000
to Wuhan Union Hospital through Nanjing
Jiangning District Charity Foundation
for anti-pandemic purposes



Donating
RMB210,172 by employees
to support the pandemic prevention
and control work



Donating **30,000** sets of protective
clothing to Nanjing Gulou Hospital and
Jiangsu Provincial People's Hospital

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Strengthening joint prevention and control measures for resumption of work in a scientific way

01

Establishing the leading group for pandemic prevention and control

The Group attached great importance and made proactive and prompt response through establishing a leading group for the prevention and control of COVID-19 under the unified leadership and arrangement of the management. We have made sophisticated arrangements in terms of pandemic prevention mechanisms, infection screening, internal prevention and control, personal protective equipment (PPE) and emergency response and management measures to fully organize and carry out the pandemic prevention work.

02

Setting up an accountability mechanism for pandemic prevention and control

All business units and departments have established their own working groups and designated specific staff and liaisons responsible for the pandemic prevention work.

03

Formulating the pandemic prevention and control plan on the resumption of work and production

We formulated emergency response measures for employees with symptoms and the pandemic prevention arrangements for resuming work and production, and we also issued to our employees the guidelines such as the “Notice on the Prevention and Control of COVID-19”, the “Implementation Plan for the Prevention and Control of COVID-19” and the “Notice on the Requirements for Resuming Work and Safe Production after the Spring Festival” in a timely manner.



We officially resumed work on 10 February 2020.

We are among the **first batch** of enterprises in Nanjing Jiangning High-tech Development Zone meeting the standards for resumption of production and work

Ensuring the highest safety, standards to safeguard the wellbeing of employees

Improving knowledge of pandemic prevention and promoting exchanges and learning

Based on the pandemic prevention and control needs of various units, we promptly opened up online learning courses such as the “Knowledge on Pandemic Prevention and Control” and the safety training for resumption of work after the holidays in the NGC Academy app. These vivid and professional series of courses enabled our employees to learn about COVID-19, prevention and control tips on COVID-19 as an individual, our prevention and control plans and specific measures in place and other information through their mobile phones. In addition, we also encouraged our employees to communicate and learn more about the pandemic and its prevention measures through organizing prize-winning competitions.





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Building a strong protective barrier and ensuring the support from logistics

Based on the principle of “people-oriented, safety first”, all departments actively coordinated and arranged relevant measures for pandemic prevention and control through assuming their respective responsibilities, so as to ensure the smooth, safe and efficient resumption of work for our employees and the normal operation. All our employees also followed our arrangements and avoided hanging around.

Preparing adequate protective equipment for frontline staff

The supply of protective equipment was quite tight during the pandemic. Our procurement department had been actively preparing to purchase the necessary preventive materials in the shortest time since half a month before resuming work. Two days before the resumption of work, we had successfully prepared a total of 65,000 surgical masks in two batches and a reserve of related protective materials such as alcohol and disinfectant to protect the health of our frontline employees.

Conducting surveys and health management of all employees

The human resources department proactively contacted relevant government departments to quickly complete the personal itinerary investigation and health information declaration of all employees, and it also conducted a full investigation of physical conditions and itineraries of all employees of the Group located across the country. In addition, every employee must wear a surgical mask and perform body temperature registration before entering the Company every day. Employees with abnormal health conditions would be required to undergo quarantine, report and seek medical treatment appropriately to reduce the chance of virus transmission.

Windows shall be kept open for ventilation while air conditioning is not allowed on our commuter buses. All passengers on the bus shall take their body temperature before boarding, and they could get on the shuttle bus only when their body temperature was normal. After boarding the bus, they need to sit separately and must wear surgical masks throughout the journey. We also called on employees to carpool or drive by themselves (including bicycles, electric vehicles, etc.) to reduce the risk of contracting the virus. All commuter buses shall be disinfected before and after the operation of the day, of which shall be kept record.



Flexible arrangements to reduce risks

We adopted strict requirements for dining in the canteen and diverted the diners. Employees needed to prepare their own food or bring their own tableware to pick up the meals at different times, and then brought the food back to their respective workstations for separate dining. When picking up meals, the person-to-person distance shall be more than one meter, and the number of people picking up meals at the same time shall be strictly controlled. The canteen shall carry out all-round high-temperature disinfection, including the high-temperature sterilization of tableware and disinfection of dining area with alcohol, at 10:00 and 16:00 every day, and records of disinfection shall be kept.



Taking care to prevent the pandemic and working together to keep hygienic and clean

In order to combat the pandemic, provide emergency support to the resumption of work and strengthen the orderly operation during the pandemic prevention and control period, we have also formulated a cleaning and sweeping plan during the pandemic. In addition to regular cleaning, it was also required that office buildings, outdoor smoking booths and the inside and outside of the factories shall be disinfected twice a day; all trash cans shall be cleared three times a day; toilets shall be cleaned once an hour; for elevators in office buildings, the inner and outer buttons of the elevators shall be wiped and the floor shall be cleaned with cloth and mop soaked in disinfectant every hour; and more detailed requirements regarding the cleaning and disinfection of other public areas in the Company had been established and implemented. We had worked hard to carry out all-round disinfection and tried our best to keep all the places clean. Each branch also organized monthly cleaning activities and strengthened the disinfection work in the workplace.





Making good use of modern technology to maintain uninterrupted production and management

Activating the location attendance function of the OA system

In order to reduce the risk of virus transmission caused by employees touching public facilities, the human resources department adjusted the attendance policy in a timely manner, temporarily changing the attendance method from fingerprint clocking-in to the location attendance function of OA system via mobile phone. The information department assisted in activating the location clocking-in function of the mobile phone in the OA system, and transmitted the clocking-in data to the attendance system, which guaranteed a newly-added function, the location clocking-in function of the mobile phone. Our employees will find the clocking-in and clock-out functions only after opening the OA system on their mobile phones and clicking the location button to clock in when entering the factory area, effectively avoiding the risk of contact infection caused by offline clocking-in.

Opening VPN to facilitate the work-from-home

The most important prerequisite for working from home is to open a VPN. There were many permissions in the VPN, and the information department had opened different permissions according to the different needs of each employee. According to statistics, about 180 VPN accounts have been opened, involving management personnel in various departments such as finance, procurement, quality, production and warehouse.

Remote guidance to solve operational problems

Although most of the Company's employees are equipped with laptop computers, they cannot access the Company's internal system at home, which can only be achieved by opening the corresponding functions on the VPN. Many employees had applied for a VPN account in order to work from home, but they had no idea how to use it or how to install the software or encountered some technical problems during the installation process. The field service personnel of the information department remotely connected to the computers of the home-office workers and helped install the software and guided them on how to operate, avoiding the risks brought by the face-to-face exchanges and facilitating their working-from-home.

Using the video conferencing system to carry out remote meetings and training

Since all our employees had been working from home, work-related discussions could not be conducted face-to-face, and even in the workplace, meetings with more than ten attendants were also prohibited. Therefore, the information department requested our employees to install the video conferencing system on the computer, so that the normal progress of the work could be ensured without affecting the holding of any meeting. The internal pre-shift meetings of some branches had also been held online to ensure the progress of the work.

SUSTAINABILITY PERFORMANCE SUMMARY^{1,2,3}

Air emissions	2020	2019	Unit
Nitrogen Oxides (NO _x)	5,077.30	4,391.88	kg
Sulphur Oxides (SO _x)	13.16	12.55	kg
Particulate Matter (PM)	166.31	113.57	kg
GHG emissions	2020	2019	Unit
Total GHG emissions	254,906.62	180,500.62	tonnes of CO ₂ e
Direct emissions (Scope 1) ⁴	13,617.64	5,026.21	tonnes of CO ₂ e
Indirect emissions (Scope 2)	241,318.01	175,499.30	tonnes of CO ₂ e
GHG removal (Scope 1) (Tree plantation)	29.03	24.89	tonnes of CO ₂ e
GHG emissions intensity	19.34	22.07	kg of CO ₂ e/thousand RMB (in terms of turnover)
Hazardous waste	2020	2019	Unit
Total hazardous waste produced	1,301.85	986.13	tonnes
Hazardous waste intensity	0.10	0.12	kg/thousand RMB (in terms of turnover)
Non-hazardous waste ⁵	2020	2019	Unit
Amount of non-hazardous waste produced	13,056.32	4,091.40	tonnes
Non-hazardous waste intensity	0.99	0.50	kg/thousand RMB (in terms of turnover)
Energy consumption ⁶	2020	2019	Unit
Total energy consumption	335,946.99	240,162.95	MWh
Energy consumption intensity	25.49	29.36	kWh/thousand RMB (in terms of turnover)
Water consumption	2020	2019	Unit
Total water consumption	600,353.00	513,302.00	m ³
Water consumption intensity	0.046	0.063	litre/thousand RMB (in terms of turnover)
Packaging material ⁷	2020	2019	Unit
Total packaging material used	9,513.50	7,019.68	tonnes
Packaging material intensity	0.72	0.86	kg/thousand RMB (in terms of turnover)

1 All intensities disclosed in the Report are calculated by dividing the total air emissions, GHG emissions, waste handled, resource consumption by the Group's revenue in financial year 2019 and 2020.

2 As the scope of disclosure on environmental KPIs has been extended to cover the industrial gear transmission equipment segments, data of 2019 and 2020 cannot be compared directly.

3 Our reporting on air and greenhouse gases (GHG) emissions mainly base on the requirements in "How to prepare an ESG report" published by HKEX and "GHG Protocol Corporate Accounting and Reporting Standard (revised edition)" published by the World Business Council for Sustainable Development and World Resources Institute. Operational control approach is adopted when defining organisational boundary for the purpose of GHG accounting and reporting. GHG emissions is presented in carbon dioxide equivalent (CO₂e). Our scope 1 direct emissions cover GHG emissions directly produced by businesses owned or controlled by the Group, while scope 2 indirect emissions cover GHG emissions of indirect energy resulted from electricity (purchased or acquired) and refrigeration internally consumed by the Group.

4 With reference to the emission factors for Mainland China based operations newly supplemented in "How to prepare an ESG report" published by HKEX, the scope 2 indirect emission in 2019 has also been restated.

5 The total amount of non-hazardous waste and non-hazardous waste intensity have been restated to reflect actual volume of waste generated.

6 Our total energy consumption includes purchased electricity and fuels non-renewable and renewable consumed and the relevant conversion factors reference from "Technical Note: Conversion of fuel data to MWh" published by CDP. Besides, the total energy consumption and energy consumption intensity have been restated to reflect actual consumption.

7 Packaging material covers the wood, metal and plastic used for product package.

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ENVIRONMENTAL PROTECTION

“Being the Leader of Sustainable Development in Transmission Area”

To enhance efficiency and reduce use of resources

In recent years, the national government has strengthened its efforts in policies, supervision and law enforcement, and environmental protection. To assume the vital responsibilities of environmental protection, we strive to improve our environmental protection approach to minimize the impact of our daily operations on the environment, and integrate the concept of environmental protection into our products and services. Meanwhile, we also hope to enhance the environmental awareness of our business partners and the general public through our influence.

The Group entrusts a qualified third-party testing institution to carry out environmental protection inspection on an annual basis according to relevant laws and regulations, to ensure that emission and waste disposal during the manufacturing process are handled in compliance with the national standards. During the Reporting Period, we did not identify that the Group was involved in any material non-compliance with laws and regulations in relation to environmental protection.

Air Emissions and Greenhouse Gas

In order to strengthen the management of exhaust and dust emission, we have formulated the Procedures of Air Pollution Prevention and Control, which sets out the focus and relevant measures of air emission management. We strictly comply with the laws, regulations and standards in relation to air emission, which include but not limited to the Environmental Protection Law of the People’s Republic of China (“PRC”), the Law on Prevention and Control of Air Pollution of the PRC, the Ambient Air Quality Standards, the Emission Control Standards for Industrial Enterprises Volatile Organic Compounds in Tianjin, the Hygienic Standards for the Design of Industrial Enterprises, the Integrated Emission Standards of Air Pollutants and the Emission Standards for Odour Pollutants.

The major sources of air and greenhouse gas emissions from our operations include direct emissions from the use of fuels for vehicles and forklifts, and also indirect emissions from power consumption. A designated department will carry out routine inspection and repair and maintenance of air emission control devices, analyse the cause and take corrective measures immediately if the emission exceeds our standard.



Online monitoring system

For air emissions created from the manufacturing processes such as shot blasting dust, air emissions from pickling, fume from quenching, and volatile organic compounds (VOCs) from oil and paint of roll milling, we have installed ventilator and propeller fans on site. Measures including centralised filtration, high-energy molecule cracker, scrubbing, electrostatic adsorption are adopted to further facilitate the collection and treatment of unorganised exhaust in the factory and thereby reducing environmental pollution caused by emission. We have also adopted the Legal's highly efficient odour treatment system imported from abroad for our heat treatment workshop, which can eliminate oil odour substantially. The use of low viscosity cooling oil in grinding and hobbing processes may produce oil mist. To absorb and filter such oil mist, we have installed highly-efficient oil mist purifying devices and set up electrostatic oil mist separators with an accurate airflow to reduce air pollution. During the

Reporting Period, we installed a new online monitoring system for exhaust gas emissions from the painting lines and transmitted the measurement data collected on the factory site to the monitoring center and the corresponding information management platform in the region in real-time, thereby strengthening our own monitoring capabilities and information exchange with regulatory agencies. Through diversified emission control measures, we are committed to creating a healthier and safer working environment for our employees.

Our performance on air and greenhouse gas emissions during the Reporting Period and in 2019 are as follows:

<u>Air emissions</u>	<u>2020</u>	<u>2019</u>	<u>Unit</u>
Nitrogen Oxides (NO _x)	5,077.30	4,391.88	kg
Sulphur Oxides (SO _x)	13.16	12.55	kg
Particulate Matter (PM)	166.31	113.57	kg

<u>Greenhouse Gas Emissions</u>	<u>2020</u>	<u>2019</u>	<u>Unit</u>
Total GHG emissions	254,906.62	180,500.62	tonnes of CO ₂ e
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Wastewater

Our wastewater mainly derives from water used for production and domestic use. We use online sewage monitoring devices with automatic alarming function to monitor the discharge of wastewater. Once being alarmed of abnormality, relevant personnel will check and respond immediately to ensure that the discharge is in compliance with the requirements of the Water Pollution Prevention and Control Law of the PRC. In addition to the measure of closely monitoring, we have formulated a “Procedures of Wastewater Control” which sets out the wastewater treatment procedures, and reduce wastewater through diversion of sewage and rainwater. Being directly discharged into the sewage treatment



Sewage treatment station

station in the factory, wastewater from production process will first go through pre-treatment procedures such as demulsification, flocculation, flotation, fenton oxidation, and sedimentation depending on the nature of wastewater to comply with discharge standards, and then undergo aerobic and anaerobic biological treatment together with domestic sewage, to ensure that the wastewater meets the standards for connecting to the Sewage Treatment Plant of next level. We can control the Chemical Oxygen Demand (CODcr) and Suspended Solid (ss) value of the sewage to the level of 40% or below of the national discharge standard, thereby alleviating the treatment burden of wastewater treatment plant. We also entrust qualified third-party testing institution to carry out seasonal inspection of wastewater in accordance with the Integrated Wastewater Discharger Standard to ensure all sewage discharge is in compliance with the requirement.

Solid Wastes

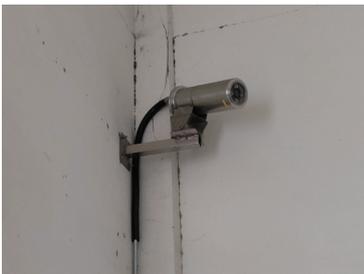
Solid wastes generated by the Group can be divided into hazardous waste, recyclable non-hazardous waste and non-recyclable non-hazardous waste. To comply with the requirements of the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste, we have formulated the Procedures of Solid Waste Control, which will be updated based on the latest requirements of relevant laws and regulations, to provide clear guidance for handling solid waste generated from our daily management, production and services.

Recyclable non-hazardous wastes include metal swarf originated from cutting and wooden pallets from suppliers’ packaging, which will be collected and recycled as many as possible by logistics department, and will be sold to qualified recycling companies. We also engage qualified third-party cleaning company to dispose of non-recyclable non-hazardous solid waste including other domestic waste to maintain a hygienic environment.

Hazardous waste includes harmful waste. We handle harmful waste according to the guidelines of the Standard for Pollution Control on harmful Waste Storage, and set up special harmful waste storage areas to collect, label and store the waste separately and properly and keep relevant records. We also engage qualified third-party waste disposal company to dispose of the waste in accordance with relevant laws and regulations in order to ensure proper handling of hazardous waste.

PROPER STORAGE

Secondary leakage prevention measures and diffusion prevention measures are adopted for storage of harmful waste. For example, harmful wastes of different types are stored separately and are normally hold or stored in tonne bags, leak-proof trays or containers, impermeable layer, impermeable bund and sump to prevent secondary pollution. Gas concentration inspection instruments are also installed in the warehouse. The siren will be sounded when gas concentration exceeds the preset limit, and relevant personnel will be informed for emergency response.



STRICT MONITORING

During the Reporting Period, according to the requirements of the Environmental Protection Law of the PRC, we installed the electronic monitoring system, which is connected to the local governmental authorities to enable monitoring at all times, in the harmful storage area.



SAFETY EQUIPMENT

The temporary storage warehouse is equipped with an observation window and a safety lighting system to ensure that we are well informed of the condition of the storage warehouse even in an emergency. It is also equipped with an activated carbon adsorption box and corresponding exhaust ports to filter the exhaust emission.



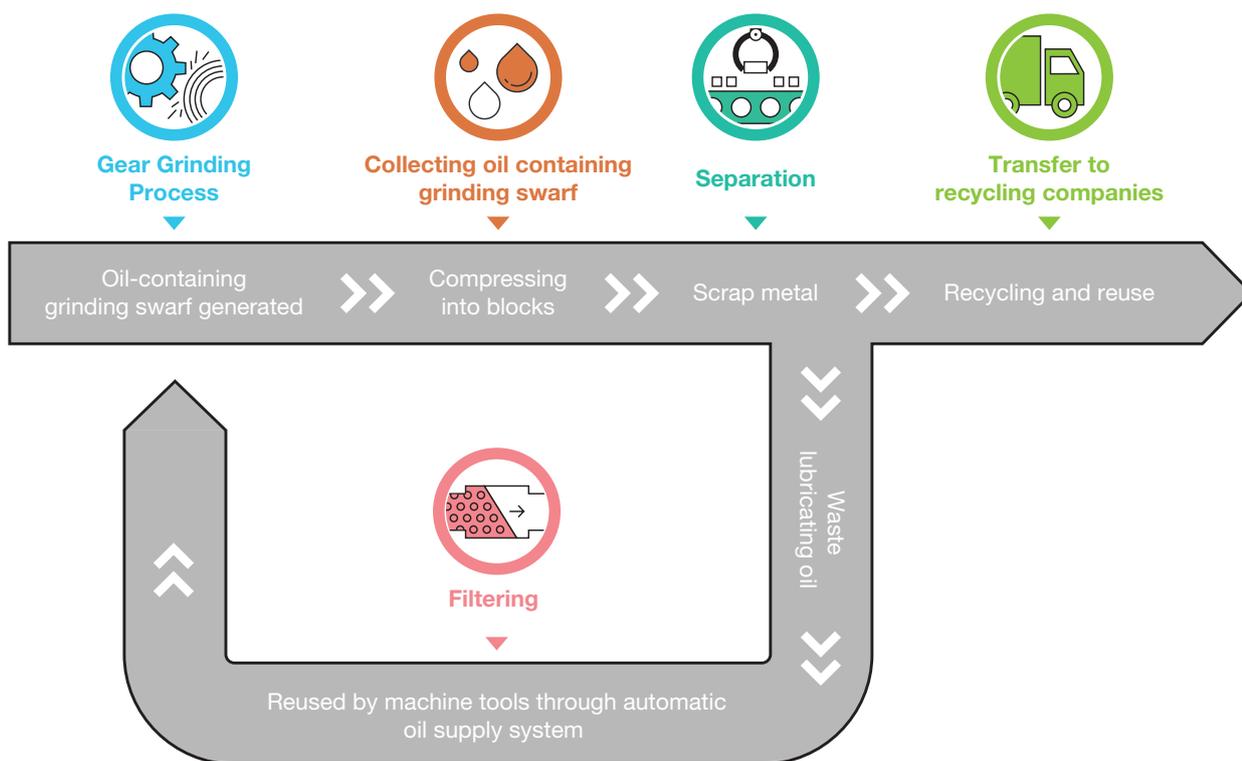


The amount of solid wastes disposed by us during the Reporting Period and in 2019 are as follows:

Hazardous waste	2020	2019	Unit
Total hazardous waste produced	1,301.85	986.13	tonnes
Waste of paint residue	175.40	153.68	tonnes
Waste of lead acid battery	9.16	17.05	tonnes
Waste oil	127.51	164.44	tonnes
Contaminants	83.02	182.45	tonnes
Washable waste containers	257.57	203.83	tonnes
Waste chemical containers (including waste paint buckets)	39.60	56.96	tonnes
Waste cleaner	–	79.93	tonnes
Waste activated carbon	30.48	10.80	tonnes
Waste quenching oil	24.08	34.36	tonnes
Dross (including sludge)	29.25	79.95	tonnes
Waste salt	–	2.68	tonnes
Waste rust preventive oil	13.15	–	tonnes
Waste quenching fluid	179.04	–	tonnes
Oily waste	333.59	–	tonnes
Hazardous waste intensity	0.10	0.12	kg/thousand RMB (in terms of turnover)
<hr/>			
Non-hazardous waste	2020	2019	Unit
Amount of non-hazardous waste produced	13,056.32	4,091.40	tonnes
Amount of non-hazardous waste disposed	6,705.10	491.00	tonnes
Amount of non-hazardous waste recycled	6,351.22	3,600.40	tonnes
Non-hazardous waste intensity	0.99	0.50	kg/thousand RMB (in terms of turnover)

Waste Reduction Measures

In order to reduce waste being generated, we collect the oil-containing grinding swarf generated from the grinding process and compress them into blocks, and transfer to qualified recycling companies for recycling and reuse. In addition, the lubricating oil separated from the compressing process will be refined and filtered before being reused by machine tools through automatic oil supply system.



Emission Reduction Measures

In order to minimize our impact on the environment, for construction projects of new building, alteration, expansion, technical modification and introduction, the environmental protection facilities must be designed, constructed and commence operation simultaneously with the main project. During the Reporting Period, we carried out technical modification of our production equipment and facilities such as vertical machine tools and end-face grinders, which were all equipped with relevant pollution prevention and control facilities to ensure the natural environmental protection objective are met.



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Enhancing our employees' enthusiasm for and increasing their knowledge of garbage classification

In response to the promulgation and implementation of Nanjing Municipal Domestic Waste Management Regulations and the lately amended Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution and in order to promote the self-consciousness of all employees to learn garbage classification knowledge, improve the classification accuracy of domestic waste, general solid waste and hazardous waste and work together to promote the implementation of the Company's garbage classification arrangements, the labor union of Nanjing High Speed & Accurate Gear (Group) Co., Ltd. took the lead and co-organized an online garbage classification knowledge contest with the theme of "Waste Classification, Start with Me" on the NGC Academy platform with human resources and other departments. Such event was so interesting that it attracted more than 400 employees to participate. The labor union prepared a wealth of knowledge questions about waste classification, covering three categories of waste, including domestic waste, general solid waste and hazardous waste. There was a total of six levels in the competition. The shortest time to pass a level was counted as the evaluation result in the system. The participants could get points on the NGC Academy platform when successfully passing one level, and could get extra points as a reward for successfully passing all the levels.

During the event, many employees of Nanjing High Speed & Accurate Gear (Group) Co., Ltd. participated with great enthusiasm, and many of them got full marks. Such knowledge contest on waste classification enabled the employees to gain a deeper and more accurate understanding of waste classification, which would play a boosting role in the implementation of our waste classification arrangement.

The employees who participated in the event said that they would carry out garbage sorting in person and actively promote garbage sorting to people around them, in a bid to jointly maintain a good working environment and a beautiful home for life and make their own contribution to the reduction, harmless and utilization of waste disposed in our society.



RESOURCES CONSUMPTION

“Wise Use of Resources”

To increase enhancing energy efficiency, adopt renewable energy and reduce the use of resources



Our energy consumption mainly derives from electricity consumed by machines, heat treatment, manufacturing processes and office activities. As such, we actively utilize renewable energy to reduce the purchase of electricity generated from coal by installing distributed solar power systems on the rooftops of the factories in our production plant sites with an installed capacity of approximately 41,000 kilowatts. The total electricity generation in 2020 is 2,898.52 kWh. In addition, our vehicles and forklift consume diesel, petrol, and liquefied petroleum gas.

The following table shows the Group’s energy consumption during the Reporting Period and in 2019:

Energy consumption	2020	2019	Unit
Total energy consumption	335,946.99	240,162.95	MWh
Purchased electricity	299,922.96	218,119.93	MWh
Renewable energy – solar photovoltaic energy	31,429.20	17,529.90	MWh
LPG	3,041.71	3,909.67	MWh
Diesel oil	720.54	260.20	MWh
Unleaded petrol	832.58	343.25	MWh
Energy consumption intensity	25.49	29.36	kWh/thousand RMB (in terms of turnover)



To reduce energy consumption, we improve the efficiency of using grinding oil, coolant and water by adopting centralized oil supply and centralized fluid delivery system during the Reporting Period.

**EXPECTED ANNUAL
 OIL CONSUMPTION SAVING**
 Approximately
150 tonnes

Centralized oil supply system

The oil supply for gear grinding machines and hobbing machines in our factories have been upgraded from manual operation to automatic centralized supply system. After the upgrade, oilers do not need to transfer the oil product manually from oil depot to the site for manual addition. In addition, oil containing iron ashes generated from grinding and the iron scraps are filtrated intelligently instead of going through the traditional procedures of manual collection and simple sedimentation and filtration, which significantly lightens employee workload and reduces the consumption of lubricant, thereby significantly improving employee efficiency, energy efficiency, and so forth.

Intelligent Centralized Fluid Delivery System

In addition to lubricating oil supply, centralize supply system is also used for coolant replenishment. Traditionally, machine tools for gear and cooling system are stand-alone devices. The large number of devices create heavy workload of maintenance work related to coolant. As such, we improve the fluid delivery process from stand-alone devices to intelligent centralized fluid delivery system, which uses liquid level control to pump the coolant in all standalone devices to the centralized water tank for filtration, de-oil and inspection, thereby lengthening the lifespan of the coolant. Moreover, the coolant change interval has been extended to 4 times longer than that of the traditional method, which effectively reduces the water consumption relating to the coolant supply system.

**EXPECTED ANNUAL
 WATER CONSUMPTION SAVING**
 Approximately
200 tonnes

Water Resources Management

During the Reporting Period, we did not encounter any issues in sourcing water as we purchased water from the local municipal water suppliers. Nevertheless, we are committed to the principle of conservation. The Group uses water-saving sanitary wares and modifies the cooling source station and cooling tower to recycle and reuse the condensed water. We also carry out water balance tests to understand the water consumption of our pipe network, analyze various factors that lead to unreasonable water consumption, and carry out regular inspection and maintenance of the water consumption equipment.

Our water consumption during the Reporting Period and in 2019 are listed below:

<u>Water consumption</u>	<u>2020</u>	<u>2019</u>	<u>Unit</u>
Total water consumption	600,353.00	513,302.00	m ³
Water consumption intensity	0.046	0.063	m ³ /thousand RMB (in terms of turnover)

Energy-saving and thermal insulation measures for air-conditioning workshop

As the temperature of the machining workshop is high in summer with a room temperature as high as 45°C, it is necessary to install air conditioners to improve the working environment and control the room temperature of the workshop to less than 30°C. We put great emphasis energy conservation and at the same time aim at providing a comfortable environment for our employees. We aim to reduce the external impacts, loss of air-conditioning, load of units and power consumption via collecting on-site data of the machining workshop with an area of 410 mu, soundly operating refrigeration units and terminal controllers of air-conditioning system, as well as, analysing, tracking and developing energy conservation and emission reduction measures.

- **Closely monitoring changes of temperature and soundly adjusting temperature**

Given the power load and changes of outdoor temperature, we have made several manual adjustments to the output temperature of the units, in order to ensure the fulfilment of the required on-site temperature and the reduction in energy consumption.

- **Controlling entrance and exit**

Except for the main passages that need to be opened constantly for logistics, other entrances and exits are basically closed when the forklifts are not in use. There are individual circumstances of violation, and inspections and publicity will be carried out afterwards. We have also installed a door that closes and opens rapidly to further shorten the time of entering and exiting.

- **Installing air curtain machines**

All of the eight logistics passages throughout the machining workshop, including the manufacturing and assembly area and the aisles of high rack warehouses, have installed air curtain machines to reduce the loss of cold air.



Air curtain machine



Rapid closing and opening door



PRODUCT LIABILITY

“Ensuring the Quality with Honesty Ranking First”

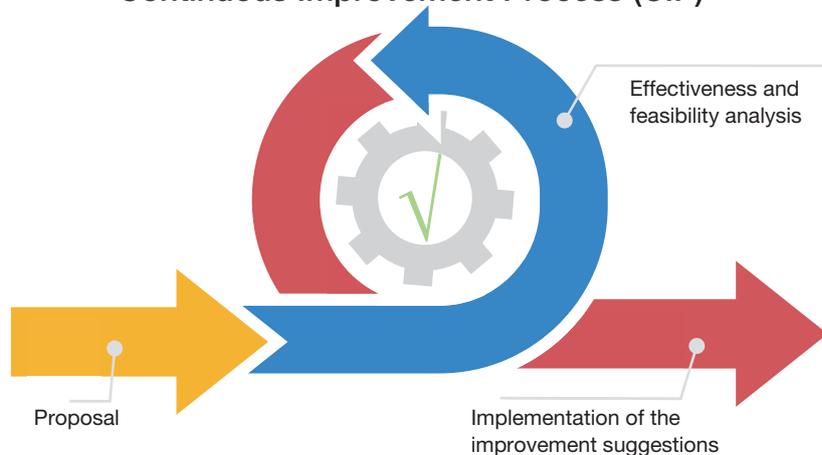
To ensure safe and stable operation of products by setting the industry standard for quality

Given that our products are generally applied to large-scale infrastructure, such as wind power equipment and industrial equipment, our requirements for safety, reliability, quality and accuracy are relatively high. As one false step will make a great difference, we dedicate to advancement in quality control to achieve the goal of “zero defects”. The Group has been adhering to the concept of corporate sustainability strategy, and established medium-term and long-term strategic plans based on the two pillars of management improvement and technological advancement. We strive to improve the product quality and service standard, achieve customer satisfaction, and build and retain stable and long-term relationships with customers. During the Reporting Period, the Group did not identify any material non-compliance of laws and regulations related to product liability, including but not limited to the Product Quality Law of the PRC.

Management System

We obtained ISO9001 Quality Management System Certification and established a standardized management system as early as 1997. We always adhere to the quality policy of “providing high quality services with integrity under the principles of quality and customer come first”. We maintain product quality at a high level by adopting management models such as VDA6.3 Process Audit, Root Cause Analysis (RCA) closed-loop quality management and Failure Modes and Effects Analysis (FMEA) of the German Association of the Automotive Industry. Investigations are carried out based on the previous undesirable incidents, and corrections and continuous improvements are made on a timely basis. We also continued to improve our corporate culture and encouraged employees to make suggestions for improvement in daily operations and product quality, to gather the wisdom and innovation from all staff. Employees can make comments or suggestions with regards to product and manufacturing process improvement via the internal office system (OA system), and all information collected will be sent to the relevant departments to consider their effectiveness and feasibility. If the opinions of the same employee are rejected on multiple occasions, an arbitration mechanism will be launched to ensure that the voice of each employee can be treated fairly.

Continuous Improvement Process (CIP)



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Detection Equipment

A good management system can only work well with a complete quality inspection and verification system, including full size inspection and process capability assessment. We also perform multi-step quality assessment on the raw materials, semi-finished products and finished products, and carry out no-load test, load test, highly accelerated lifetime test and anti-corrosion performance test, etc. Our laboratory has obtained ISO/IEC 17025 National Laboratory Accreditation Certificate, which uses advanced detection equipment, including trolley spectrum analyzer, carbon and sulphur analyzer, nitrogen and oxygen gas analysis, upright metallographic microscope, grinding and polishing machine, inlaying machine, magnetic particle inspection equipment and semi-automatic fluorescent magnetic particle inspection equipment, etc. We have also obtained the measurement assurance system certification issued by Jiangsu Computing Association to ensure that the finished products of each program can meet the appropriate quality standard. Only trained laboratory technicians with qualification are allowed to perform the duty.

Product Certification

The business of the Group has high entry barriers and requires specific technical know-how. The Group enhances corporate growth by introducing new products and new technology. Various products have made their debuts in the domestic market under the Group's on-going innovation of products and technology. Leveraging its innovative technology and premium quality, the Group has obtained over 100 national, provincial and municipal technology advancement awards, outstanding new products awards, certification for new products, certification for high and new tech products and certification of high and new tech enterprise. The Group was the first producer to adopt ISO1328 and ISO06336 international standards. It was nominated as an enterprise for the 863 State Plan and a Computer Integrated Manufacturing System (CIMS) Application Model Enterprise by the Ministry of Science and Technology of the PRC. As of 31 December 2020, we passed ISO9001:2015 quality management system certification, Jiangsu Province Quality and Credit Graded AA certification. Wind power transmission gear products have obtained certifications from China Classification Society (CCS), China General Certification Center (CGC), China Quality Certification Centre (CQC), Technische Überwachungs-Verein (TÜV), DNV GL, UL, European Union's CE and ETL; industrial transmission gear products have been certified with the European Union's CE certificate, American Petroleum Institute (API) Specification IIE and Mining Products Safety Approval and Certification Center Co., Ltd. (MA); rail transportation products have obtained ISO/TS 22163 Certificate for the Quality Management System of International Railway Industry.



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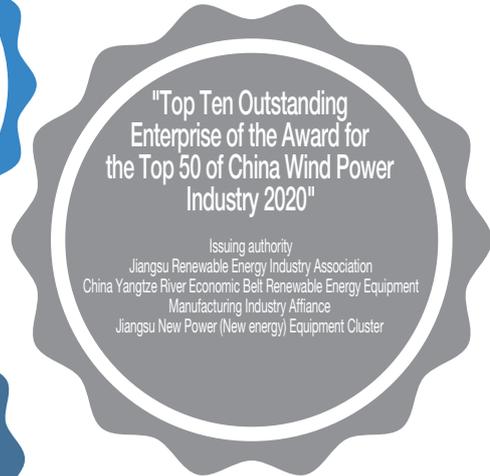
Customer Satisfaction

The Group is committed to providing customers with excellent products and after-sales services. Our global service network based in China, the United States, Germany, Singapore, and India provides complete solution and real-time support services to our global partners. We believe that the real challenge of customer service begins with the delivery of products and technical solutions. Facing the diversified needs of customers, we have a sound and complete service system and a global service network in place to follow up throughout the process, helping customers achieve high reliability and low operating costs of transmission systems. We have conducted annual customer satisfaction surveys for the tenth year in a row. Respondents were invited to assess the product quality, service quality, price-performance ratio, brand image, product expectations, etc. We have conducted online surveys instead of the previous way of letter enquiry since 2019 to improve the response rate and contribute to environmental protection, and the scope of surveys has been expanded to the end users. Our customer satisfaction for wind gear transmission equipment business reached 87.7% in 2020, which well exceeded our annual goal. When a customer complaint is received, we will first conduct a preliminary assessment of all the materials received. A local third-party agent will then be commissioned to inspect the site to perform analysis and improvement if necessary. After completing the assessment, we will contact and give feedback to our customer in due course. If the problems are caused by customers' misuse, the market service department will first assist in finding the causes, identify the using environment and usage of customers, provide proper guidance for customers and carry out on-site repair. If the problems are caused by product quality, we will solve the problem for the customers and undergo closed-loop quality improvement.

Global service locations



Awards and Recognitions





INNOVATING ACHIEVEMENTS

“Taking Advantage of National Strategy for Transformation”

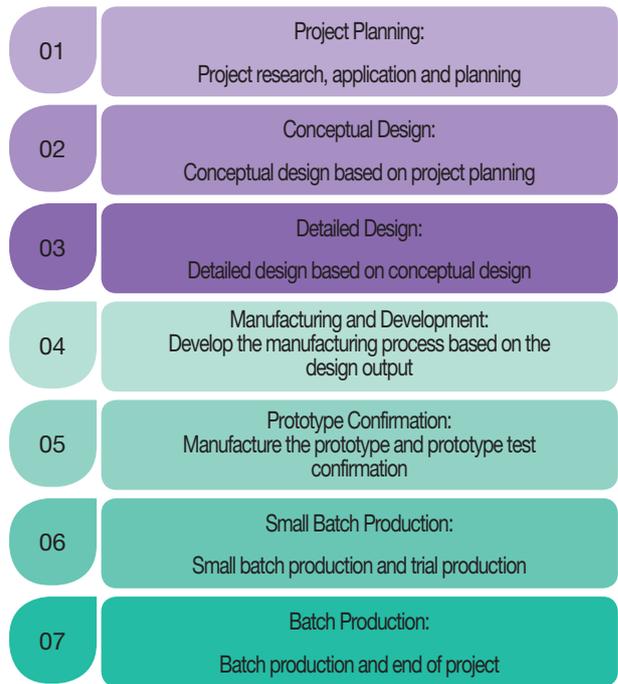
To develop new products with good “quality” proactively

We have our own in-house research team of nearly 800 engineering personnel. Over 25% of them have postgraduate degrees or doctor of philosophy (PhD) degrees. We have 10 cooperation projects with external cooperation units, including RWTH Aachen University, Shanghai Jiao Tong University, Beijing Jiaotong University, Chongqing University, Dalian University of Technology, Nanjing Institute of Technology and I-DEW SYSTEM. Relevant technological improvement results will be gradually applied to our products. We also pay close attention to technological innovation. Our wind gear transmission equipment segment has been granted national patents in various aspects during the year, which mainly involve lubrication and structure of wind power gearboxes, installation of testing and inspection devices, structure of key component and optimization of fabrication. Lubrication and sealing of gearbox is one of the key technologies in designing gearbox, based on which the normal operation of the gearbox is guaranteed. The stability and advancement of our gearbox are safeguarded and boosted by the continuous research and innovation on the lubrication and sealing technologies.

Our development of large megawatt gearboxes, such as structural improvement, large-scale parts heat treatment technology improvement and testing tooling, is highly recognized by the grants and applications of patents, which has broadened the manufacturing and verifying technological reserves for the future development of large megawatt wind power gearboxes of the Company. As of 31 December 2020, a total of 528 patents were granted by the State. In addition, 412 patent applications have been submitted and pending for approval.

The Group has a range of self-developed products including 1.5MW, 2MW, 3MW, 4MW, 5MW and 6MW wind power transmission equipment whose technology has reached an internationally advanced technical level and which have been provided to domestic and overseas customers in bulk. We have also successfully developed and accumulated 7MW and above wind power gear box with a technological level comparable to the international level.

With the product platform NGC StanGear™ and our core technology platform, we continue to upgrade product design and computation analysis technology, process manufacturing technology, heat treatment and control technology and the processing technology of precise tooth profiles for the reserve of solid technology foundation for the manufacturing of equipment in MW. In light of market development trend, the Group is actively developing gear boxes in MW and introducing technologies of status monitoring, big data analysis and mobile terminal technology and strives to establish intelligent gear boxes. We officially launched a new generation of product platform NGC WinGear™ series in the China Wind Power Exhibition. This product platform has the advantages of high reliability, high torque density, high efficiency, easy maintenance, etc.



The “Seven Doors” of R&D Process

Leading technologies developed independently by ourselves

The MLXSS700M vertical mill gearbox independently developed by Nanjing High Speed & Accurate Gear (Group) Co., Ltd. was successfully included in the catalog after receiving the recommendation by Nanjing municipality, the demonstration by industry experts and other processes, being classified in the high-end equipment field of the catalog. The MLXSS700M vertical mill gearbox is a modular product developed based on NGC's new generation technology platform. Relying on platform technologies such as system dynamics simulation, multi-objective gear modification, structural part shape topology optimization and lubrication and sealing simulation, it not only ensures excellent product performance, but also shortens the product development and delivery cycle.



The appraisal committee believed that the overall technology of the product had reached the domestically leading level and the internationally advanced level.

The MLXSS700M vertical mill gearbox has a rated power of 6,500 kW to 7,000 kW, a vertical static load of 17,000 kN and a vertical dynamic load of 50,000 kN. It has the characteristics such as high carrying capacity, high power density ratio and high reliability, and reserves online monitoring function interfaces to help customers build intelligent production lines. At the same time, the modular advantage of its product components can effectively reduce the product's operation and maintenance costs.

Vertical mill gearbox is the core mechanical equipment of vertical mills for cement, slag and other production equipment. The inclusion of the MLXSS700M vertical mill gearbox in the Catalog of New Technologies and New Products Promoted and Applied at the Provincial Level will help the Group provide a stronger impetus for China to accelerate the comprehensive utilization of solid waste and realize a green and circular economy.



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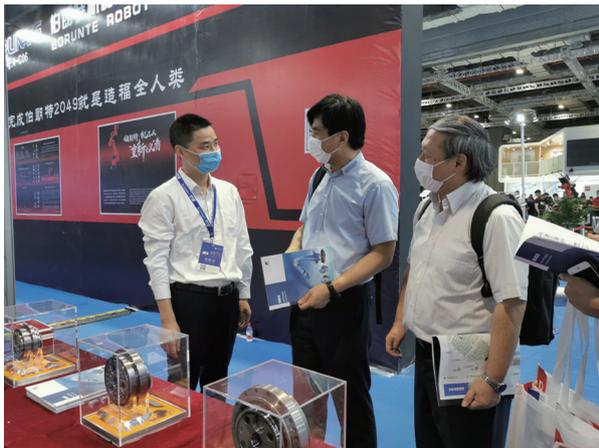
Human Resources

Occupational Health and Safety

Anti-corruption

Community Investment

In order to integrate the extensive resources of the industry and market of finished products, enhance the corporate image, and promote the sales of products, we conduct product publicity and promotion activities, and participate in various national and international exhibitions from time to time, such as CONEXPO-CON/AGG (美國工程機械博覽會), Suzhou Industrial Automation and Robot Exhibition (蘇州工業自動化及機器人博覽會), Shanghai International Industrial Automation and Robot Exhibition (上海國際工業自動化及機器人展覽會), China Beijing International High-tech Expo (中國北京國際科技產業博覽會), China Wind Power (北京國際風能大會暨展覽會) and Bauma CHINA (上海寶馬工程機械展), etc., to show customers our latest products and conduct business exchanges. We also make press releases in different media, including magazines and online media. Meanwhile, the Group has strictly complied with laws and regulations related to advertising and product labelling, including but not limited to the Advertising Law of the PRC.



Intellectual Property Rights

We always dedicate ourselves to protect the interests and intellectual property rights of our customers. We enter into confidentiality agreements with customers to ensure that no information provided by both parties shall be disclosed to any third-party without the authorization of the information provider. The Group attaches great importance on strengthening the protection and application of its own patents. We provide training of applying, writing and exploring patents on a regular basis, to improve the quality of patent writing of our research personnel, and continue to increase investment in intellectual property. At present, we have set up our own patent database to strengthen our R&D and innovation management. On the other hand, in order to protect the patents of third parties and to minimize our exposure to the legal risk of infringing proprietary rights, our R&D personnel is required to check the scope of protection of the existing invention patents relating to that particular technology prior to the manufacturing and sales, determine whether the technical content to be implemented falls into the scope of protection of the existing active patents, determine whether the relevant technologies constitute infringements based on the results, and conduct circumvention design on technologies exposed to infringement risks.

During the Reporting Period, we also cooperated with domestic database companies to purchase commercial patent databases, which can facilitate global patent data search and patent analysis of related product technologies, and provide data protection for technological innovation and patent risk avoidance in the process of product development.

In order to ensure that employees at all levels are covered by the intellectual property right management system of the Company, we have formulated the General Principles of Intellectual Property Management, the Patent Management System, the Copyright Management System, the Intellectual Property Confidentiality System, the Technology Contract Management System, the Provision of Patent Search Management, and other comprehensive intellectual property management systems.

We put more effort on enhancement of the development and construction of intellectual property right by building a High Value Patent Cultivation Center in cooperation with Nanjing Ruihong Patent and Trademark Office from 2018 to 2020, with the aim of becoming a patent creation high ground with great influence in the area of the R&D of highly reliable wind power gearbox technology, a R&D base with key technologies and leading position in the regional innovative development, thereby cultivating high-value patents of wind power gearbox technology and products. During the Reporting Period, we have completed the construction and operation system for the organization structure of the center and various business management systems for the entire process of high-value patents, and debugged the intellectual property information platform; in terms of R&D, we have prepared the industry development trend and technology feasibility study report, confirmed and improved the R&D plan of “wind power gearbox” product technology; in terms of patent works, we have built a functional framework of the intellectual property information platform for the wind power gearbox products, completed patent analysis and layout of production process and manufacturing technology for wind power gearbox products and applied for numerous core product patents and peripheral defense patents.



SUPPLIER MANAGEMENT

“Each Gear Complements and Integrates with the Others”

To develop a sustainable world with collaboration

We categorize and manage suppliers by the importance of their products to our business, duration of supply, and their performance scores. The supplier performance is evaluated based on the quality, cost, logistics and other metrics. Monthly and annual assessments are conducted to determine the overall grade for competent suppliers. In addition, concerning the dispute risks in the mining industry, we request suppliers to avoid using metals (including tin, molybdenum, tungsten, gold, etc.) from the mining industry in such region when seeking new suppliers and implement such measures during the process of delivering parts.

It is the belief of the Group that a quality supply chain is essential to sustain a business ecosystem. We always start our cooperation with suppliers with the right policies. Therefore, while committing to fulfil our corporate responsibilities, we request suppliers to comply with the Environment and Safety Notice Commitment, in order to deliver our environment and safety principles and relevant requirements. Meanwhile, we also request some of our suppliers to sign the Declaration of Non-use of Hazardous Substances if required, prohibiting the use of hazardous substances that are harmful to health and the environment, and requiring raw materials to comply with relevant requirements of the EU and other countries, such as ROHS/REACH (SVHC), in order to reduce the risk of spreading harmful substances to the environment. We conduct our procurement based on the Regulations on the EHS Management of Suppliers, which clearly states the government environmental protection requirements, safety permits, fire permits, occupational disease protection permits, and environmental, health and safety (EHS) management systems involved with suppliers. We will conduct risk assessment based on five aspects, i.e. the products and technologies provided by the supplier, nature of the enterprise, EHS performance, and its resources and purchase volume. The frequency of assessment depends on the risk level. If any major incidents or other non-compliances of suppliers are identified, more review and assessment will be conducted and the assessment results will be given to the relevant suppliers. They are expected to formulate a rectification plan and the need for an on-site review will be determined based on their rectification. As of 31 December, 2020, the Group has 496 major suppliers which are all located in China.

2020 WIND POWER SUPPLIERS CONFERENCE

The continuous business growth of the Group would not be achieved without the full support of the overall supply chain. We strive to maintain a close relationship with each supplier. During the Reporting Period, the 2020 Wind Power Business Supplier Conference was held to review future cooperation direction with approximately 200 domestic supplier representatives, look ahead to business upgrades and explore more cooperation opportunities, as well as, extend our thanks to the continued support of suppliers to the Group.



HUMAN RESOURCES

“Moving Ahead in Pursuit of Excellence”

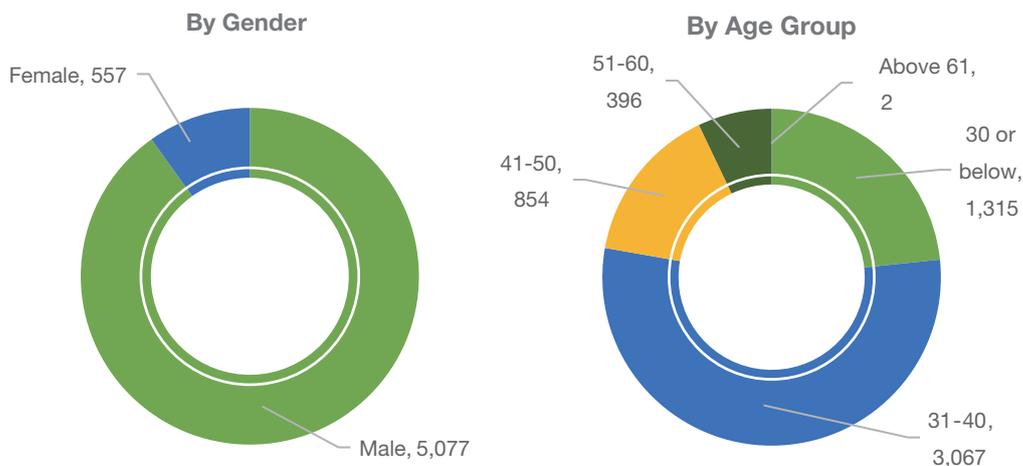
To view the continuous training of professional manager team with high level of professionalism, enthusiasm and responsibility as an important mission of our development

Recruitment

The Group has always adopted the principle of fairness and selection on merit as a guideline for recruiting talents. All candidates shall have the same opportunity to be hired and paid accordingly, regardless of their gender, religion or race. Meanwhile we employ people with disabilities because we believe that by arranging them in the right position, they can all exert their talents. All candidates must pass the interview and the selection process. Our human resources department will strictly check the personal information, identification and age of applicants during recruitment. Applicants who are hired are required to undergo a corresponding physical examination prior to the employment. Applicants must also sign a labour contract with us voluntarily when they join the Group. Related terms such as the job information, location, working hours, probation period, etc. will be clearly stipulated in the labour contract. We recruit talents through different channels, including recruitment websites, social media, and job placement advertisements on our official websites. We also organize campus recruitment, internship programs, and touring activities with 40 tertiary institutions, which lay the foundation for us to compete for and recruit the best and suitable talents in the future. It is clearly stated in our Employee Handbook that in the event of any material non-compliance of our employee, we have the right to terminate the labour contract with such employee at any time.

Employee Overview

As of 31 December 2020, we have in total 5,634 full-time employees.#



Workforce data in year 2020 covers over 90% of the Group’s full-time employees in Mainland China. As of 31 December 2020, the corresponding number of employees is 5,634 people in total. Our reporting on social KPIs mainly make reference to the calculation methodologies stated in “How to prepare an ESG report” published by HKEX.



Employee Turnover Rate

We understand that employees are our important assets, and remains committed to retaining and attracting various talent for achieving the corporate sustainability development. During the Reporting period, the Group's voluntary turnover rate was 5.2%. It is far below average in manufacturing industries, reflecting their relatively high level of sense of belonging to the Group.

Labour Standards

The Group adopts a zero tolerance attitude towards child labour and forced labour. In case of any violations, we will properly deal with the issue as soon as possible in accordance with the relevant emergency plans formulated by the Group, protect the relevant child labour or forced labour, and notify the labour union or local labour welfare department. During the Reporting Period, we did not identify that the Group was involved in any material violation of laws and regulations related to the child labour and forced labour, including but not limited to the Labor Law of the PRC, Provisions on Prohibition of Child Labour, and the Law on the Protection of Minors of the PRC.

Salary Management

During the Reporting Period, we did not identify that the Group was involved in any material violation of laws and regulations related to labour, including but not limited to the Labour Law of the PRC and the Labour Contract Law of the PRC. In order to standardize the salary management and provide employees with a fair and reasonable labour compensation, we have specially formulated the Remuneration Management System to set salary grades based on the ranks. Specific salary amounts are set based on the personal abilities, qualities, and performance, and the performance bonuses and the year-end bonus are determined based on the performance evaluation results, which shall reflect the salary difference fairly and reasonably. The salary standard is reasonably determined with reference to the salary level of local labour market and the industry, in order to implement the salary management based on the four principles of legality, rationality, marketization and business consistency.

Career Development

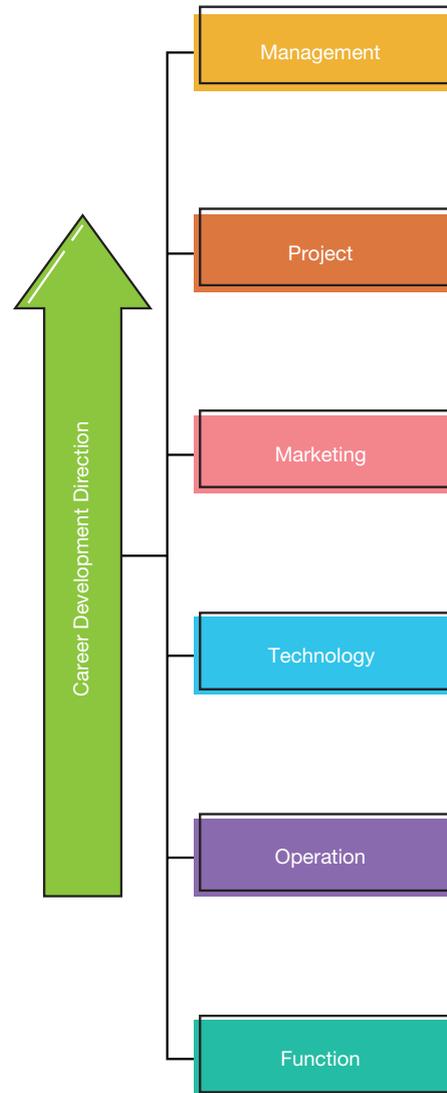
We attach great importance on the development of each employee, set up a clear position hierarchy, and provide different career development directions. We provide professional training and development courses specific to each career development direction for outstanding employees. Meanwhile, the superiors of employees have the responsibility to support the career development of their subordinates, and conduct career development interviews and performance evaluations with their subordinates at least once a year, provide direction guidelines and recommendations, as well as provide them with corresponding development opportunities, which could help cultivate the departmental talent reserve.

Working Hours and Overtime Working

We divide working hours into scheduled and non-scheduled working hours according to the nature of the work and position. The scheduled working system is generally applicable to the production-related staff and office employees, while the non-scheduled working system covers the middle-level and higher management positions, salespersons, etc. We do not encourage overtime working, but if it is necessary due to the production needs, we can arrange employees to work overtime on the condition that the employee voluntarily agrees to such arrangement and confirmation is obtained from the person-in-charge. The Group manages employee overtime work by strictly abiding by the laws and regulations. Employees' overtime hours must not exceed three hours per day and 36 hours per month, and overtime payment will be reimbursed in accordance with national regulations.

Equal Opportunity

We respect the rights and freedoms of each employee. According to the relevant provisions of the Labour Law of the PRC and the Law of the PRC on the Protection of Women's Rights and Interests, we solemnly make a statement in the Employee Handbook to protect employees from discrimination, harassment and their freedom of association, explaining that all employees should not be discriminated on the ground of their ethnicity, gender or religion. We do not tolerate any form of discrimination. The Group also does not tolerate any harassment towards customers, suppliers or employees. The freedom of belief of all employees is also respected. If the legitimate rights and interests of employees are infringed, they can report and complain through the complaint process.





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Employee Benefits

Employees are essential to the success of business. Therefore, we provide employees with competitive compensation and benefits, and strive to retain talent and reduce employee turnover. Qualified employees are entitled to statutory benefits, including pension insurance, unemployment insurance, work injury insurance, maternity insurance, medical insurance, etc. Meanwhile, the Group also provides employees with additional subsidies and allowances, including transportation subsidies, rental subsidies, meals, etc., as well as festival gifts during the special festivals, to create a caring working environment. Eligible employees are also entitled to legal holidays, sick leave, wedding leave, funeral leave, maternity leave, paternity leave, etc. Moreover, we also attach great importance to the health of employees, and regularly arrange employees to conduct medical examinations at the expense of the Company. During the pandemic, in hope of cheering up retail stores and our staffs, we responded to the City General Union and stimulated spending by distributing food voucher to every employee.

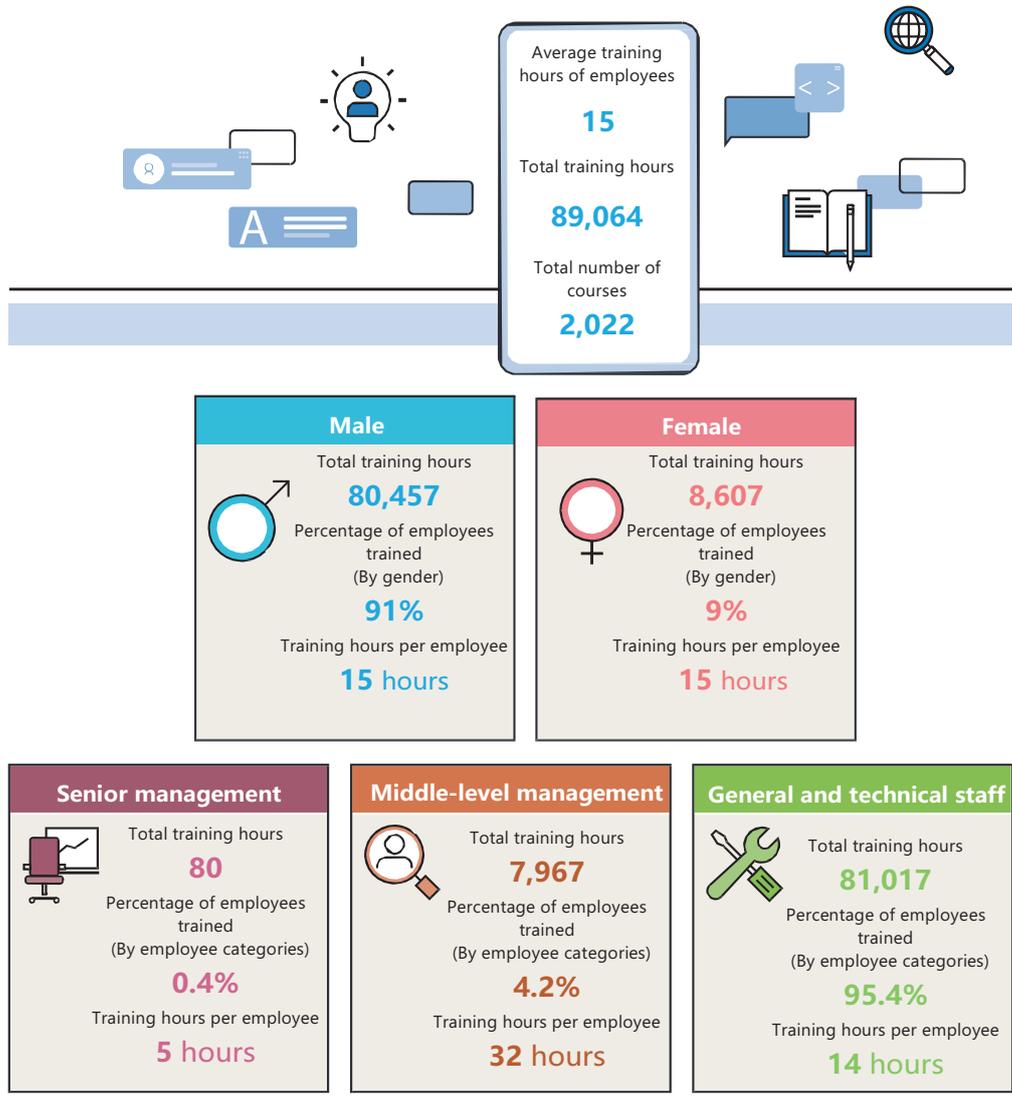


Development and Training

Training is one of the main ways of talent development of the Group, and it is an important measure to improve the quality, technical level and management level of employees. We are committed to improving the requisite knowledge and skills for employees to be competent for their positions, in order to improve the working efficiency of the employees. In particular we provide career development training for outstanding employees. We hope that employees will be better qualified for their work and accelerate their career development through learning and mastering technical knowledge and professional skills. Based on the needs of various departments, we formulate an annual training plan every year, planning various training courses for different levels and positions. The types of courses can be categorized into the management training, on-the-job training, general training, orientation training for new employees, etc.



Statistics on Employee Training and Development in 2020





Since the official launch of NGC Academy in May 2020,
 The total attendance of online learning reached **87,455**,
 the total learning time reached **14,636** hours, showing fruitful results.

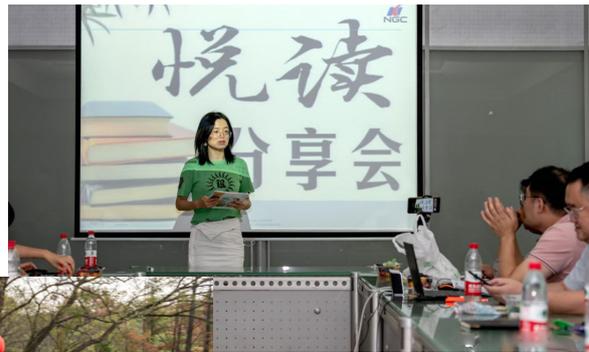
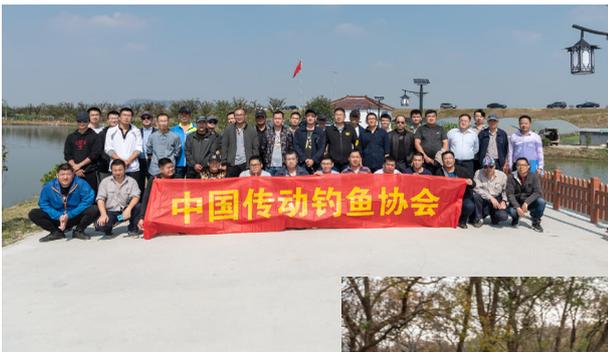


Besides, the human resources department launched the trial of an online school application, “NGC Academy”, in the second half of year 2019, to facilitate employees to learn, share new knowledge and receive adequate training anytime anywhere. After a trial of almost 9 months, various functions of “NGC Academy” have been further improved to better meet the business needs of the Group, followed by the official launch in May 2020. In view of our high standards of knowledge confidentiality, extensive personnel distribution, complex network configuration and other characteristics, we have solutions in place for the storage method of online knowledge base, personnel authority configuration and network authority configuration. We have carefully formulated various management systems for “NGC Academy”, including “Platform Management Measures”, “Online Course Management Rules” and “Credits and Points Rules”. “NGC Academy” will become a support platform for the Company’s internal talent training and organizational ability improvement. It will create a three-dimensional training system, and continue to open more positions and more types of courses, sort out and improve the exclusive courses for each position sequence, and activate inherent knowledge and skills of the job positions. While achieving knowledge transfer and inheritance, employees are gradually integrated into a learning atmosphere.



Employment Communications

The Group cares for the overall wellbeing of our employees, and is open to employees' suggestions, opinions or complaints. We actively conduct employee satisfaction surveys every year, and incorporate the collected opinions into future improvement measures. We have implemented a new OA system internally. Employees can submit comments and complete employee satisfaction surveys at any time via mobile phones or computers. The line manager of employees or the human resources officer of each department is responsible for handling feedback and appeals. If the line manager or human resources officer cannot resolve the employee's complaint, the employee can then report to his/her supervisor and reflect to the management layer by layer. Employees can also appeal to the chairman of the trade union. In addition to the OA system, we also have a mailbox for the general manager and an email in place. Employees can send suggestions or comments directly to the management, and the general manager will reply and handle correspondingly. Meanwhile, we have established a corporate Wechat account – the “NGC’s home”, which is used to keep employees up-to-date with the latest news and important information of the Company. Employees can interact with the Company by sharing their views and suggestions freely through this channel. We proactively encourage and support our employees to participate in employee activities organized by the Company, including reading appreciations, fishing, badminton games, hiking championship, photo and writing contest, etc., to strengthen internal cohesion.





OCCUPATIONAL HEALTH AND SAFETY

“Prioritizing Life Safety and Conducting Safe Development”

To ensure the personal and property safety of our staff based on the principles of “prevention and self-rescue as primary, centralized directives and division of responsibilities”

Sound Management

As an internationally oriented manufacturing company, we understand that occupational health and safety is vital to maintaining the well-being, morale, corporate image and efficiency of employees. We obtained OHSAS 18001: 2007 occupational health and safety management system certification in 2010 and ISO 45001:2018 certification in 2019. We have formulated the Occupational Health and Safety Management Manual in accordance with the standards, laying a solid foundation for establishing a good management system. We carry out annual monitoring of occupational disease hazards in the workplace in accordance with laws and regulations. We also arrange dedicated personnel to conduct safety education and training for each factory to strengthen the employees’ awareness of production safety in order to reduce the occurrence of safety accidents. We evaluate the status of occupational disease hazards every three years to ensure the effective operation of occupational disease protection facilities, and employees’ protective measures are implemented in accordance with laws and regulations. The specialized department regularly inspects the factory sites, including inspections before and after the holiday and weekly inspections. We submit a safety committee report every quarter to report to the management any safety incidents, hidden safety hazards discovered, the progress of rectification works, safety training programme, etc.

On-site Safety Measures

- ✓ Electrical equipment used in fire and explosion hazardous locations must meet the corresponding explosion-proof grades and be implemented in accordance with relevant standards;
- ✓ Setting up safety signs and alarm devices in accident-prone locations;
- ✓ Carrying out regular inspection of occupational hazards in the workplace and set up notice cards of safety precaution in eye-catching locations;
- ✓ Persons who may be exposed to the power-frequency electric fields are equipped with insulated shoes, insulated gloves and working uniform to prevent related accidents;
- ✓ Persons who may come into contact with chemicals are equipped with rubber gloves, protective glasses, acid and alkali-resistant protective clothing and masks;
- ✓ Persons who may be exposed to noise are equipped with earplugs and/or earmuffs;
- ✓ Setting up eye washers near cleaning posts, freezers, test bench and test posts;
- ✓ Adding mechanical ventilation facilities in cold source stations;
- ✓ Installation of ventilation facilities and fire alarms in the hazardous waste storage area

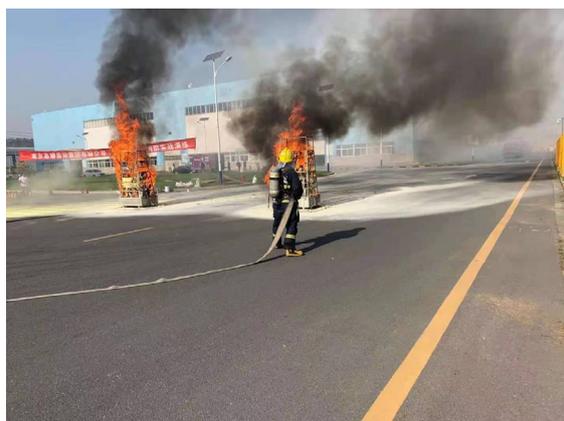
During the Reporting Period, the Group did not identify any material non-compliance of relevant laws and regulations on occupational health and safety, including but not limited to the Law of the PRC on the Prevention and Control of Occupational Diseases, the Fire Protection Law of the PRC, the Regulations on Safety Production Licensing (Revision), the Hygienic Standards for the Design of Industrial Enterprises, Code of Practice for the Selection of Individual Protection Equipment, Warning Signs for Occupational Hazards in the Workplace, etc.

Emergency Response Plan

In accordance with the Production Safety Law of the PRC and with reference to the Guidelines for Enterprises to Develop Emergency Response Plans for Workplace Accidents, we have formulated the Emergency Response Plan for Production Safety Incidents to conduct regular emergency drills to improve the capability on handling emergency and disaster prevention awareness of our employees. We have also established an emergency rescue group, which is mainly responsible for organizing, leading and directing rescue work after a major incident, to ensure the personal and property safety of our staff. In response to the Coronavirus pandemic, we have also optimized the emergency response plan in time by incorporating emergency response plans for mass unidentified disease accidents, to be ready for the occurrence of possible scenarios.

Emergency Drill for Fire

To assess employee's preparedness for an emergency evacuation and firefighting, all employees in five factories had participated in fire evacuation drills on 9th & 13th November 2020 respectively. We aim to enhance employees' awareness of fire safety and further improve our employees' capability on handling emergency, rapid response, coordination and rescue ability, employees' fire safety awareness and self-rescue on fire, mastery of the use of fire equipment, initial firefighting treatment and other comprehensive safety qualities via this drills, to ensure communication, evacuation, firefighting and rescue can be conducted as soon as possible in the event of fire to reduce personnel and property loss.





ANTI-CORRUPTION

“Achieving Mutual Benefits with Honesty and Integrity”

To create a culture of high integrity and maintain sound commercial operation

We take a zero-tolerance attitude towards any corruption crimes such as bribery, extortion, fraud, and money laundering. It is stated in the “Employees Handbook” that the above acts are serious disciplinary violations. The Group will investigate the acts in accordance with law and have the right to dismiss the relevant employee immediately. In addition, we have formulated the “Procurement Compliance and Management System” for the procurement and other high-risk departments. We adhere to the principles of fairness and impartiality in selecting our suppliers and require employees of relevant departments to commit to refuse accepting any improper advantages given in any forms. The human resources department also provides compliance trainings for relevant employees and incorporates their performances into the appraisal scope. We provide trainings on the code of business conduct and ethics for new employees and employees in overseas divisions. Middle-level management, senior management, senior engineers are also provided with online anti-corruption trainings and tests on an annual basis. Employees are free to join the training on code of business conduct and ethnic. In addition to internal control, we require our suppliers to comply with the Supplier Compliance Commitment, to make our greatest impact on prompting them to promise not to provide any form of improper advantages. In the event of any intention from our employees who are trying to obstruct, we will actively report and assist in investigations, to make a concerted effort on stopping commercial non-compliance.

Whistleblowing policy

We have formulated the Anti-Fraud Whistleblowing Management Procedures, which elaborates the scope of whistleblowing, to fully protect the rights of employees or other stakeholders. We also establish diversified whistleblowing channels, including reporting hotline, email, mailbox or in-person, etc., and post information on reporting channel at prominent locations in the workplace to improve transparency. All relevant reporting information will be handled with care and confidentiality, to protect the rights and interests of the whistle-blowers, encourage employees to come forward to make a report, and build a fair and just business ecosystem. The Group strictly follows the Anti-Unfair Competition Law of the PRC, the Anti-Money Laundering Law of the PRC and the Interim Provisions on Banning Commercial Bribery issued by the State Administration of Industry and Commerce. During the Reporting Period, we did not identify any material non-compliance of laws and regulations relating to bribery, extortion, fraud and money laundering.

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COMMUNITY INVESTMENT

During the Reporting Period, the total investment in public welfare activities exceeded **RMB14,200,000**

As a member of the society, the Group has always assumed social responsibilities within our capacity, solved practical problems for people in social difficulties, strived to become a trustworthy corporate citizen with a strong sense of social responsibility and adhered to our corporate mission: Geared for a Better Future. During the Reporting Period, we continue to assist poverty-stricken orphans, donating RMB50,000 per year to the Red Cross of Yongping County, Yunnan Province for three years consecutively,

which is used to support the tuition and living expenses of local poverty-stricken students, amounting to a total of RMB150,000. In addition, we also focus on youth development and people with disabilities, hoping to promote social integration and strengthen social cohesion.

Youth Growth Special Fund of Belt and Road Initiative

In response to General Secretary Xi Jinping's instructions on the "Belt and Road Initiative" strategy and youth work, and in order to focus on friendly exchanges in the youth field, cultivate global competence of the youth and enhance practical cooperation with countries along the "Belt and Road Initiative", during the Reporting Period, we set up the "NGC Belt and Road Initiative Youth Growth Special Fund" amounting to RMB1.2 million, subsidizing young people to participate in the "Belt and Road Initiative" internship activities and providing project funding support to outstanding Chinese youth in the form of scholarships.



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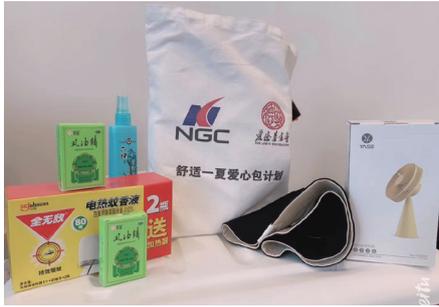
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Making Rice Dumplings in Summer



The high temperature and mosquito breeding in summer make it prone to the spreading of various diseases. Before the advent of hot summer, the Group cooperated with the Amity Foundation to donate summer loving packs to 100 people with disabilities in Nanjing, deliver heatstroke prevention knowledge, and help them alleviate the difficulties in summer and spend the summer in a comfortable way.

On the day of the event, the corporate management department and the Group's volunteer team arrived at Shanshuiyuan Home for the Disabled of the Amity Foundation. Prior to the commencement of the event, the person in charge of Shanshuiyuan first introduced the operation status of the home for the disabled to the NGC volunteer team and led the way to visit the living places of the disabled in the center. Then, professional teachers introduced the disabled representatives present to the knowledge of preventing heatstroke in summer. On the eve of the Dragon Boat Festival, the volunteers and representatives of the disabled experienced a fun activity of "Making Rice Dumplings in Summer". The teacher demonstrated how to make rice dumplings. After watching teacher's demonstration, volunteers and representatives of the disabled started making rice dumplings on their own. With everyone's perseverance, the final results are gratifying to everyone. With different but satisfying products of their own, the event ended in a relaxed and happy atmosphere. Lastly, the NGC volunteers donated the summer loving packs named "Comfortable Summer" to the disabled representatives present and took photos with everyone. The Amity Foundation also issued a public welfare activity certificate to the NGC volunteer team.

Representatives of the disabled who participated in the event repeatedly thanked the Group for our loving actions, all stating "We appreciate responsible corporations like NGC. With the help of NGC, we will surely live a comfortable summer this year. We wish NGC getting better and better!"



Giving Mooncakes as a Token of Support



On the eve of the Mid-Autumn Festival, we gave more than 1,000 love mooncakes and holiday condolences to 500 poverty-stricken orphans in “Action 10000 – Rural Orphan Sponsorship Project” of the Amity Foundation, hoping to send warmth to the poverty-stricken orphans living in rural areas and let them enjoy a delicious festival. All the mooncakes that we donated are personally made by Baker Xi Haner. Amity Bakery, known as “Xi Haner’s Baking Paradise”, is a workshop for vocational training for mentally handicapped youths. While donating mooncakes, this event can also create employment or income-generating opportunities for Xi Haner and realize their social value.





HKEX ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosure and KPIs	Chapter/Disclosure	Page
A. Environmental		
Aspect A1: Emissions		
General Disclosure Information on:	Environmental Protection; Resources Consumption	12-21
(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.		
KPI A1.1 The types of emissions and respective emissions data.	Sustainability Performance Summary	11
KPI A1.2 Greenhouse gas emissions in total and where appropriate, intensity.	Sustainability Performance Summary	11
KPI A1.3 Total hazardous waste produced and where appropriate, intensity.	Sustainability Performance Summary	11, 16
KPI A1.4 Total non-hazardous waste produced and where appropriate, intensity.	Sustainability Performance Summary	11, 16
KPI A1.5 Description of measures to mitigate emissions and results achieved.	Environmental Protection; Resources Consumption	12-21
KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Protection	14-18
Aspect A2: Use of Resources		
General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Environmental Protection; Resources Consumption	12-21
KPI A2.1 Direct and/or indirect energy consumption by type in total and intensity.	Sustainability Performance Summary	11, 19
KPI A2.2 Water consumption in total and intensity.	Sustainability Performance Summary	11, 20



Subject Areas, Aspects, General Disclosure and KPIs		Chapter/Disclosure	Page
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Protection; Resources Consumption	12-21
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Resources Consumption	20-21
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced.	Sustainability Performance Summary	11
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Our business activities have no significant negative impact on the environment and natural resources.	N/A
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our business activities have no significant negative impact on the environment and natural resources.	N/A
B. Social			
<i>Employment and Labour Practices</i>			
Aspect B1: Employment			
General Disclosure	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.	Human Resources	31-37
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Human Resources	31 (For gender and age group)
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Not disclosing during the Reporting Period	N/A



Subject Areas, Aspects, General Disclosure and KPIs		Chapter/Disclosure	Page
Aspect B2: Health and Safety			
General Disclosure	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.	Occupational Health and Safety	38-39
KPI B2.1	Number and rate of work-related fatalities.	No work-related death incident occurs during the Reporting Period.	N/A
KPI B2.2	Lost days due to work injury.	Not disclosed during the Reporting Period	N/A
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety	38-39
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Human Resources	31-37
KPI B3.1	The percentage of employees trained by gender and employee category.	Human Resources	31-37
KPI B3.2	The average training hours completed per employee by gender and employee category.	Human Resources	31-37
Aspect B4: Labour Standards			
General Disclosure	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.	Human Resources	31-37
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Human Resources	31-37



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KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Human Resources	31-37
<i>Operating Practices</i>			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supplier Management	30
KPI B5.1	Number of suppliers by geographical region.	Supplier Management	30
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supplier Management	30 (For description of practices relating to engaging suppliers, and how they are implemented and monitored)
Aspect B6: Product Responsibility			
General Disclosure	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 Liability; Innovating Achievement	22-29
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not disclosed during the Reporting Period	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Not disclosed during the Reporting Period	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Innovating Achievement	26-29
KPI B6.4	Description of quality assurance process and recall procedures.	Not disclosed during the Reporting Period	N/A



Subject Areas, Aspects, General Disclosure and KPIs		Chapter/Disclosure	Page
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Our business does not involve any consumer privacy data.	N/A
Aspect B7: Anti-corruption			
General Disclosure	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	40
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.	During the Reporting Period, no corruption lawsuit against the Company or the Company's employees occurred.	N/A
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-Corruption	40
Community			
Aspect B8: Community Investment			
General Disclosure	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	41-43
KPI B8.1	Focus areas of contribution.	Community Investment	41-43
KPI B8.2	Resources contributed to the focus area.	Community Investment	41-43