

智慧連接 啟動未來
SMART LINKS START THE FUTURE



2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 1617)

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ABOUT THIS REPORT

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

Reporting Scope

The scope of this Report covers two production sites of the Group in Wu Jin and Jin Tan of the People’s Republic of China (the “PRC”), and two offices in the PRC and Hong Kong. The reporting period starts from 1 January 2019 to 31 December 2019 (the “Reporting Period”).

Taking into account of the size, the number of staff and revenue distribution of the Hong Kong office, and based on the materiality principle, the disclosure of key performance indicators only covers the operations in the PRC and is in line with the reporting scope of previous year.

Reporting Standards

The Report has been prepared in accordance with the “comply or explain” provisions of the ESG Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Report has been approved by the board of directors (the “Board”) to ensure its truthfulness, accuracy and completeness.

Feedback

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

MESSAGE FROM CHAIRMAN

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

This year, with our well-qualified professionals, we are honored to be awarded as the winner in the “Listed Enterprises of the Year 2019” hosted by Bloomberg Businessweek Chinese, by breaking through several rounds of screening process. The award is dedicated to honoring listed companies with outstanding performance and contribution to economic stability, by evaluating their performance in multiple areas including performance, profitability, return on equity, corporate governance, investor relations, development strategy, corporate social responsibility, sustainability, innovation and risk management. In addition, both of our Wu Jin Factory and Jin Tan Factory were recognised as State and Changzhou City Green Factory respectively in 2019, demonstrating our efforts in green production and environmental protection. These recognitions are again an encouragement and affirmation for the tremendous future development of Nanfang Communication.

As the Standing Committee of the Political Bureau of the Communist Party of China contended the acceleration of the construction of new infrastructure, such as 5G network, data centres, etc. in this year, 5G has brought new opportunities to the development of optical telecommunication. Vibrant promotions of 5G construction will become a growth engine of economic development. In the long term, the new information and communication infrastructure led by 5G will not only enhance information consumption, but also provide a robust support for the transformation and upgrading of the social economy, driving the transformation of innovation from consumer internet to the industrial internet, and promoting the digital transformation of social governance and the high-quality development of the economy. Nanfang Communication, as a well-established supplier of a wide range of optical fibre cable products and related devices, continues to expand its industrial chain, and is committed to developing and adapting to the continuous growth of market demand and the continuous improvement of its own innovation capabilities.

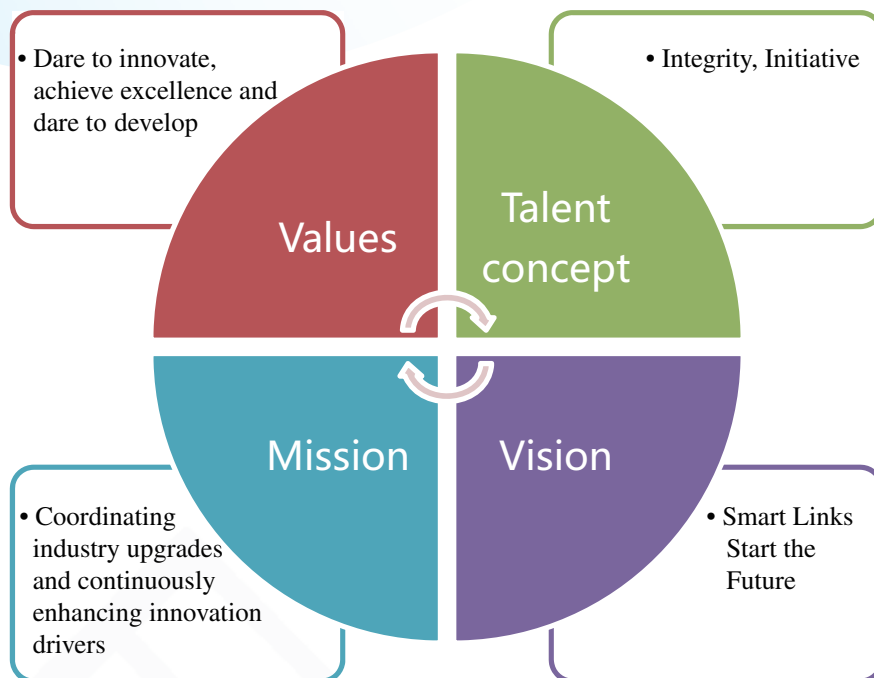
The global spread of COVID-19 pandemic has certain impacts on the business operations and the overall economy of different regions and industries in the world. The Group has gradually resumed operations and production since March 2020 and we consider that the impact of COVID-19 on the Group’s operations and future prospects would depend on the duration of the pandemic, the implementation of regulatory policies and relevant protective measures that might affect the business environment that the Group is operating at. The Group will stay alert on the development and situation of the COVID-19, continue to assess its impacts on the Group and take necessary actions to mitigate its business risk.

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

Nanfang Communication Holdings Limited
Yu Jinlai
Chairman

24 July 2020

ABOUT THE GROUP



Nanfang Communication is a well-established supplier for optical telecommunication products with the Group's headquarters based in Changzhou City, Jiangsu Province, the PRC, and is principally engaged in manufacturing and sales of a wide range of optical fibre cable products and related devices. The Group aligns a complete industry chain along the optical fibre preforms and optical fibre business through its joint venture entity and associate. As one of the leading enterprises in the PRC optical fibre cables market, the Group offers various models of optical fibre cables and related devices to meet the application needs of different customers in the telecommunications industry. Such optical fibre cables can be used in different applications, such as mobile communication networks, internet networks, and fixed telephone networks in the telecommunications industry, and can be installed under different conditions.

The Group is highly regarded in the optical fibre cable market in the PRC. Wu Jin Factory and Jin Tan Factory have obtained Quality Management Systems ISO 9001:2015, Environmental Management System ISO 14001:2015, Occupational Health and Safety Management System ISO 45001:2018/OHSAS 18001:2017 and Quality Management System for Communication Industry TL 9000 certificates. Since 2018, we have effectively integrated our management systems and established the Quality/Environment/Occupational Health and Safety Management Manual, which sets out the Group's management guidelines for quality, environment and occupational health and safety, clarifies the management duties and authorities, and is a programmatic document and a code of action for the Group to conduct quality, environmental and occupational health and safety management, providing all employees the code of conduct in their production, services and operation activities.

Certificates and Honors

While realising its development and profit initiatives, Nanfang Communication has been striving for the highest quality of products. Besides being accredited as high and new technology enterprise by the Science and Technology Department of Jiangsu Province in the PRC since 2010, the Group has also been accredited with AAA grading in quality credit by the China Association of Communication Enterprises.



Certificate of Enterprise Industry Credit Grade – Product Manufacturing Industry Credit AAA Enterprises

Wu Jin Factory – Certificate of High and New Technology Enterprise





Jin Tan Factory – Certificate of High and New Technology Enterprise

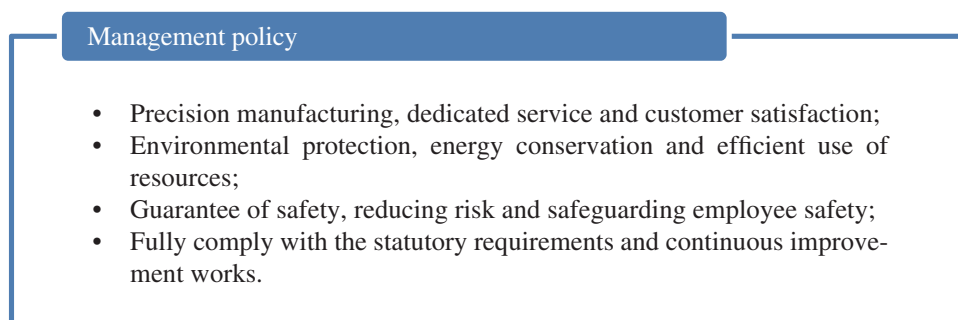
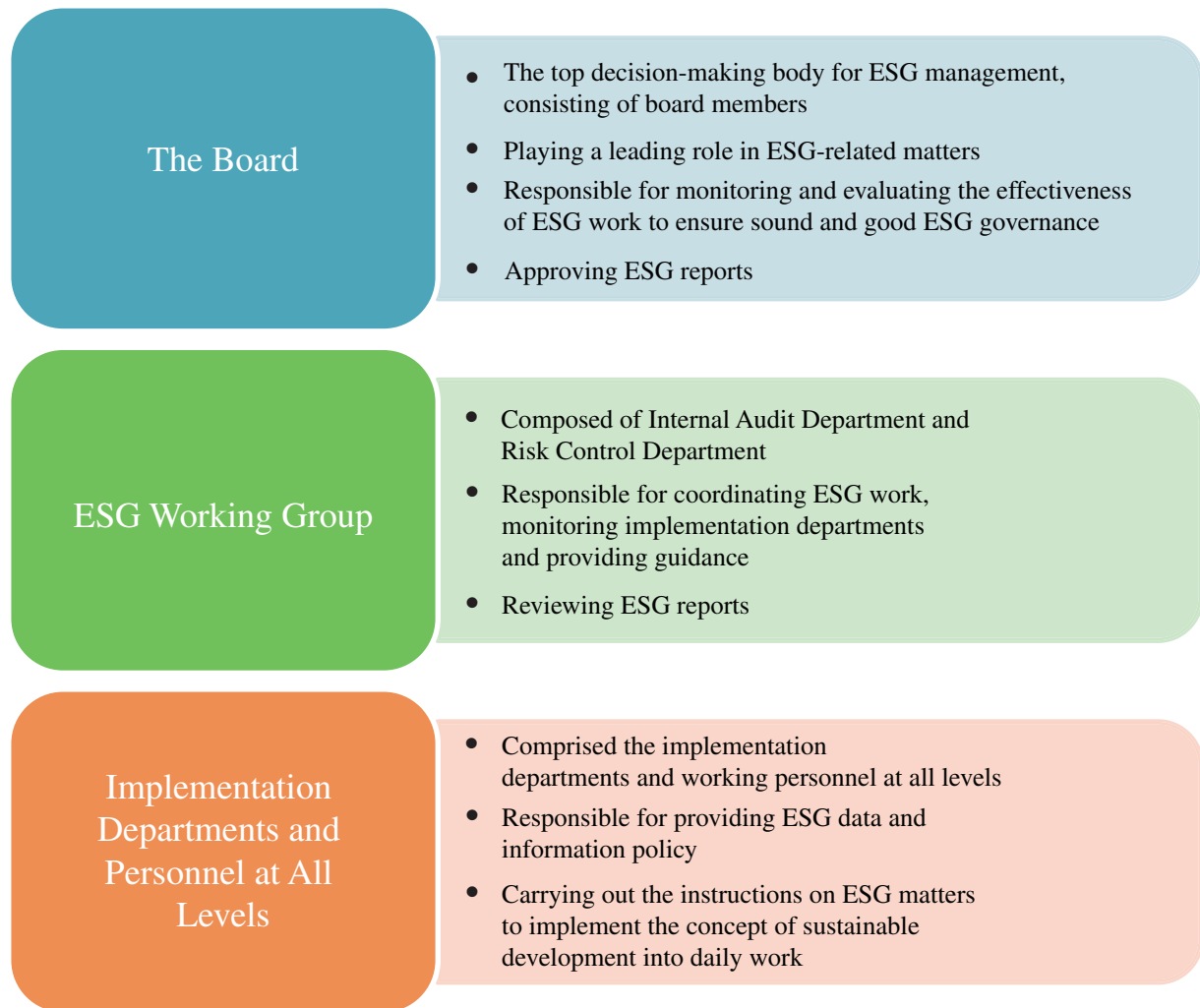
Winner in the “Listed Enterprises of the Year 2019” by *Bloomberg Businessweek Chinese*



With the aspiration of the 5G network construction as elaborated above and the support of the national policy, the development of 5G technology will be escalating, and the demand for optical fibre cable is expected to recover in 2020. In order to cope with the challenges, the Group will diligently participate in the new hardware manufacturing industry catering for the need of 5G network construction in 2020. The Group will explore overseas market expansion as appropriate and enhance our competitiveness and market share, with a hope for striving for satisfactory returns for our shareholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE APPROACH

The Group has established an ESG working group led by the Internal Audit Department and the Risk Control Department, responsible for coordinating ESG work, thus ensuring that the relevant ESG tasks are effectively implemented at all levels and that guidance is provided. The working group regularly reports the progress to the senior management. The Board is responsible for monitoring and evaluating the effectiveness of the system to ensure sound and good ESG governance.



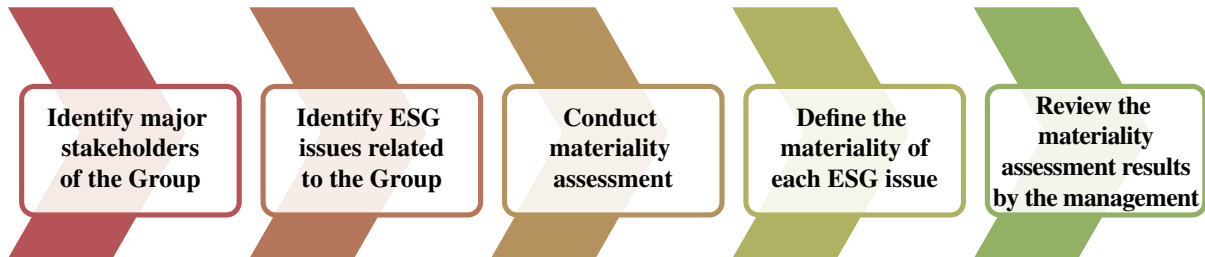
STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

Opinions of various stakeholders play a crucial role in establishing a sustainable development management framework. Therefore, the Group attaches great importance to their opinions and continuously communicates with stakeholders through various channels to enhance its understanding of the potential risks of business operations and to meet the needs and expectations of stakeholders. The following table illustrates the major stakeholders of the Group and the communication channels:

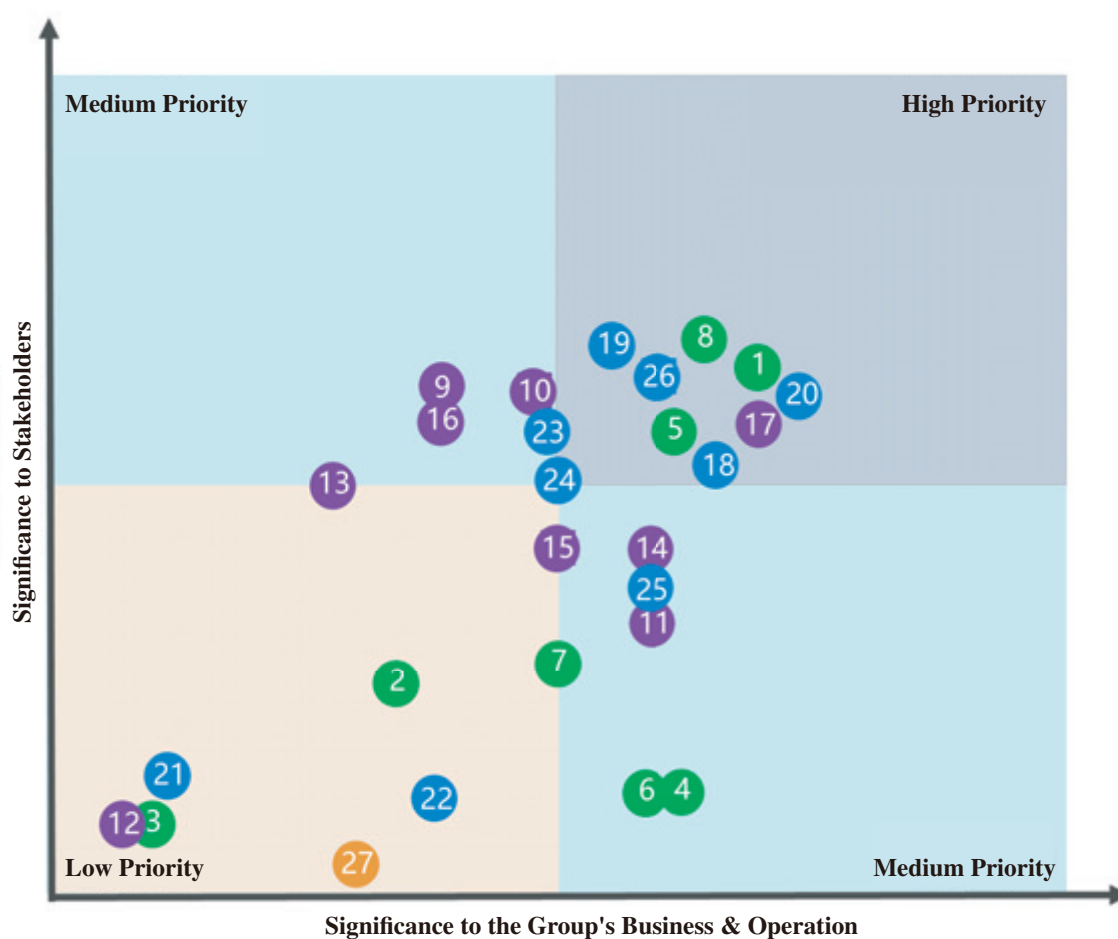


Shareholders and investors	Customers	Employees	Suppliers	Government organisations and regulatory agencies	Community
<ul style="list-style-type: none"> • Company website • Regular investor meetings • Annual general meetings • Annual and interim reports 	<ul style="list-style-type: none"> • Company website • Annual and interim reports • Customer satisfaction survey 	<ul style="list-style-type: none"> • Various meetings such as integrated management meetings, co-ordination meetings and quality management regular meetings, discussion groups and trainings • Phone and intranet • Bulletin board, blackboard newspaper • Regular performance evaluation • Team building activities • Comment boxes 	<ul style="list-style-type: none"> • Supplier assessment • Procurement procedures • On-going communications 	<ul style="list-style-type: none"> • Forum • Participation in the drafting of industry standards 	<ul style="list-style-type: none"> • Charitable donation • Public welfare activities

In addition, to understand the views of stakeholders on the Group's ESG issues, we have conducted a materiality assessment by questionnaire and invited internal and external stakeholders to express opinions on the significance of twenty-seven issues to the business operations and stakeholders, among which cover labour treatment, environmental protection, supply chain management, products and services delivery, and community investment. The assessment results are used to analyse the ESG issues that are significant to the Group and to prioritise the relevant key issues while the materiality assessment focuses on the following procedures:



Based on the results of the questionnaire, we plot the following materiality matrix:



Environment

- 1 Air emission
- 2 Greenhouse gas emission
- 3 Climate change
- 4 Energy efficiency
- 5 Water and effluents
- 6 Use of materials
- 7 Waste management
- 8 Environmental compliance

Employment

- 9 Labour rights
- 10 Labour-management relations
- 11 Employee retention
- 12 Diversity and equal opportunity
- 13 Non-discrimination
- 14 Occupational health and safety
- 15 Employee training
- 16 Employee development
- 17 Prevention of child labour and forced labour

Community

- 27 Community support

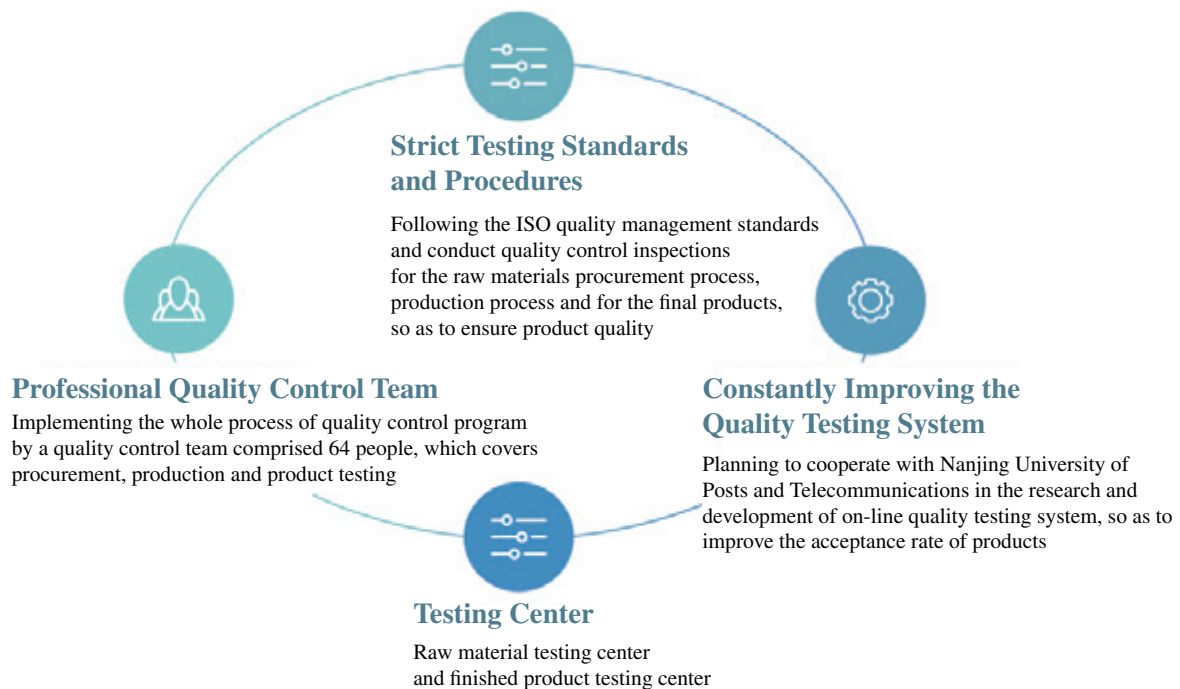
Operation

- 18 Customer satisfaction
- 19 Customer service quality and complaints handling
- 20 Customer health and safety
- 21 Marketing and product and service labelling compliance
- 22 Intellectual property
- 23 Customer privacy and data protection
- 24 Responsible supply chain management
- 25 Business ethics
- 26 Socio-economic compliance

Based on the results shown in the above matrix, we found eight ESG issues of high materiality. The Group's management adopts appropriate methods, such as regularly convening operation and management meetings to monitor and evaluate these high-materiality ESG issues, aiming to fully identify, eliminate, or mitigate risks, and take full advantage of potential development opportunities, thus ensuring that the expected results of the Group's business efficiency and quality, environmental and occupational health and safety management systems are realised. Based on these materiality issues, we will develop corresponding ESG strategies, policies and goals to identify opportunities for continuous improvement and sustainable development.

CREATING VALUE FOR CUSTOMERS AND SUPPLY CHAIN

Product Value



6S Lean Production Management

Through 6S lean production promotion work, we reduce quality loss, reduce inventory (excluding reasonable raw materials and finished products), shorten production cycle, and reduce the outage rate of equipment, while improving the ability of employees to identify and solve problems in the sophisticated production process of the workshop. We improve employees' ability to master and apply modern management techniques, and develop employees' standard working habits.

RoHS Control Management

When selecting suppliers of hazardous chemicals, the procurement department conducts studies or investigations of the supplier's environmental and safety conditions, and thus providing bases for assessing qualified suppliers. We have also developed the "RoHS Control Management Process", which defines the products' environmental control operation process, the relevant persons in charge and their responsibilities, to enable various processes to be effectively managed, including inspection of supplier evaluation, sample evaluation and procurement, process design and control, as well as product shipments, so that the hazardous substance level of the shipped products can meet the requirements of customers.

Procurement Control

Procurement personnel select suppliers from the "Qualified Suppliers List" in strict compliance with the "Outsourcing Process Control Procedures", and the raw material inspectors strictly inspect each batch of incoming raw materials in accordance with the technical requirements and inspection specifications. Unqualified raw materials that fail to pass inspection must not be used.

Internal Quality Control

The Group's products are optical fibre cable products and related devices. Our products sold in the PRC comply with the requirements under the international and national standards or industry standards. We have years of experience in optical fibre cable products and related devices production and have large-scale manufacturing capacity, with leading level of product quality in the PRC. To fully guarantee the quality of the products, the Manufacturing Department strictly commences production according to the requirements of the guidance documents, and performs the first inspection and self-inspection of the products in a timely manner. With the combination of standard requirements and customers' requirements, the Quality Department has established strict quality inspection requirements for testing and controlling the performance indicator of materials and optical fibre cables throughout the process from raw materials to product manufacturing, and strengthened the production process inspection to strictly control packaging and shipping of products, ensuring that the finished products are reliable. Both of our production sites have obtained the Quality Management Systems ISO 9001:2015 certificates. In addition, the Group has been granted AAA grading in quality credit by the China Association of Communication Enterprises, which demonstrates our commitment to the highest quality of products.



The Group has developed the “Unqualified Output Control Procedures”, taking appropriate control measures based on the unqualified sources to ensure that products that do not meet product requirements are identified and controlled, with a view to preventing unexpected use or delivery. In case of defects found during the construction process and usage by the users, product quality issues or other feedback will be processed based on “Customer Complaints and Feedback Processing Procedures” to ensure customer satisfaction. During the Reporting Period, the Group was not aware of any violations of laws and regulations that are related to the health and safety of the products and services provided, advertising, labeling and remedies that have a significant impact on our operations.

Product Research and Development

Nanfang Communication has invested substantial sums annually in the development of new products and was recognised by the Science and Technology Department of Jiangsu Province in the PRC as a high and new technology enterprise since 2010. In 2018, the Company was granted accreditation for laboratories from China National Accreditation Service for Conformity Assessment. We continuously make breakthroughs in technology research and development, keep abreast of the industrial development to develop new products and new technologies, and improve the quality of products by improving production equipment, production methods and production processes in technical aspects. The applied patent “Optical Cable Ointment Device and Ointment Replenishment and Filling Method”, the optical cable ointment system of which has been improved, not only reduces the waste of materials, but also lowers the water seepage of the optical fibre cable and improves the product quality of optical fibre cable.

We also continue to strengthen cooperation and exchanges with research institutes such as Nanjing University of Posts and Telecommunications, which greatly enhances our technical support capabilities for providing quality services to various operators. According to customers' needs, we provide technical seminars and demonstrations in relation to optical fibre cable to customers without charge, covering optical fibre cable testing technology, optical fibre cable installation technology solutions, and optical fibre cable connection demonstrations.

The Group also participated in the drafting of the national and telecommunications industry standards initiated by China Communications Standards Association for publication by the government authorities for optical fibre cables in the PRC. The Group believes that, by leveraging the Group's strengths on product quality and research ability, the Group has successfully enhanced its product recognition in the market.

Research and Development Cooperation

We promoted the in-depth research of non-metal thunder proof optical fibre cables, rat proof optical fibre cables and related applications jointly with one of the telecommunication network operators, with a view to grasping the market demands and communicating with customers regularly to better understand the customer needs and market demands.

Research and Development Facilities

Our research and development centers, which are recognised as the provincial enterprise technology centers, have been cooperating with universities in respect of utilising the talented human resources in campus and advanced technology research, as well as sharing research and laboratory equipment with universities.

Research and Development Results

As of 2019, the Company was granted seventy-eight technical patents, including eighteen invention patents and sixty utility model patents. Currently, the Company has applied for a total of fourteen patents, including thirteen invention patents and one utility model patents. We have five registered trademarks in the PRC and one registered trademark in Hong Kong. Some invention patents are as follows: a nano-water emulsion waterproof sheathed optical cable, a modified waste refractory waterproof coated optical cable, and a novel high polymer modified water emulsion asphalt waterproof coated optical cable.

Focusing on customers



The Group has been established for years and has developed a positive and aggressive corporate culture. It is the consensus among all employees to value product quality and enhance customer satisfaction. We are committed to providing after-sales services focused on customer satisfaction, enhancing customer satisfaction levels, and cultivating loyal customers, so as to provide our customers with maximum benefits. Through 24-hour hotline service of the support platform service, customers can obtain assistance from professional technicians of Nanfang Communication by telephone. The support platform provides prompt consultation through the Support Department in the province where the customer resides or the nearby province or communicates directly with customers at any link in the service rendering process. In order to provide customers with more thoughtful and faster services, Nanfang Communication has established offices and service centers in 30 cities across the country and formed a highly capable and efficient response service team and network with extensive experience.

It is important to listen to our customers' opinions and feedback on our products and services. We proactively communicate with them, considering it as an input to our quality planning process. According to the Customer Satisfaction Management Procedure, we regularly investigate and collect customer satisfaction information through questionnaires, visits, telephone calls, etc. Any opinions, suggestions or complaints made by our customers shall be reported to the management in a timely manner, and be effectively handled and improved continuously. Based on the results of the survey, we are able to improve and refine our quality management system, as well as to further improve customer satisfaction.

For the received customer complaints, it shall be implemented according to the Customer Complaints and Feedback Processing Procedures, so as to achieve rapid response and timely processing and comprehensively improve customer satisfaction. Complaints and feedback are handled according to the seriousness of the issues. For the ordinary and accidental product quality and service quality issues, it shall be directly transmitted to the relevant responsible departments for analysis, and thus solved by taking appropriate disposal measures. For the substantial product quality or service quality issues, it shall be dealt with upon the instruction of the general manager, and the corresponding correction or prevention measures shall be taken in a timely manner, with a view to obtaining the understanding and satisfaction of the customers. Similar or common issues shall be timely transferred to other relevant customers and shall be properly handled. Subsequently, we will follow up on the effectiveness of the complaint handling to ensure customer satisfaction, while we will develop an improvement plan to prevent the recurrence of similar incidents in the future. According to the customer satisfaction survey results and analysis report of each year, the Quality Department transmits relevant information to the Marketing Department and Production Management Department. Relevant departments will formulate and implement improvement plans, while the Quality Department is responsible for inspection and assessment, forming closed-loop management.

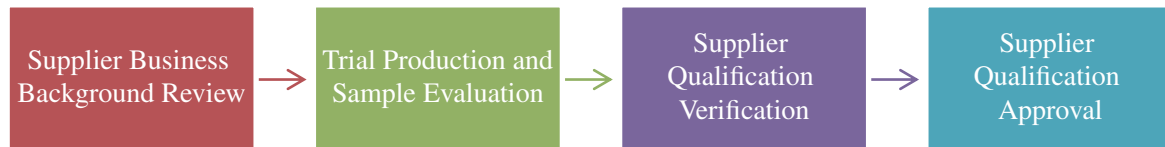
Supply Chain Management

Due to the close relationship with optical fibre suppliers, our daily operations and the quality of product service, the supply chain has a significant impact on our long-term business development. Therefore, we have developed a supplier selection and performance assessment management procedure to select qualified material suppliers and service providers.

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

- Having a registered national business licence with corresponding business scope
- Effective quality assurance capability, having a significant number of facilities or equipment, technical capabilities, processing capabilities or operating standards, management level and inspection methods
- Good credibility and the ability to provide satisfactory after-sales services
- Compliance with RoHS requirements to reduce negative impacts on the environment and users
- Other qualification certificate documents: third-party test reports, SGS reports, etc.

For new suppliers, we will require them to fill out the supplier selection questionnaire, including the company's business profile, quality assurance capabilities, legal compliance and after-sales services. If necessary, we will conduct on-site inspection of capability verification with the inspection scope including organisation quality, technology and production. The business review team will conduct on-site review, and the performance shall meet the requirements of the Group before applying for inclusion in the qualified suppliers. If any of them is not up to standard, it shall rectify within the prescribed time limit and arrange for re-examination until the approval is granted.



For existing suppliers, we conduct a monthly performance assessment, involving quality, price, delivery and services, to ensure that suppliers comply with our product quality standards, and meet the demands of customers. Underperforming suppliers shall promptly rectify and determine corrective action plans, and those who fail to meet the requirements or standards will be disqualified.

Through the Related Party Control Procedures, we exert influence on our suppliers to understand the Group's management practices and strive to meet our environmental and occupational health and safety requirements to prevent, reduce and control the environmental and safety impact arising from the related party's operations, and to enhance the Company's overall environmental and occupational health and safety performance. At the same time, suppliers are required to strictly abide by our Supplier Code of Conduct ("CoC"), which covers nine areas related to ESG: legal compliance, child labour, forced labour, remuneration, working hours, equality and fair workplace, freedom of association, intellectual property protection and environment, health and safety, and work together to maintain a sustainable supply chain; thus bringing mutual benefits in improving environmental and social performance. In addition, suppliers are encouraged to exceed the minimum standards of CoC.

Anti-Corruption

Under the business philosophy of "Integrity and Trustworthiness", the Group prohibits any form of corruption. To monitor the conduct of the Group and other related parties (such as employees, suppliers and customers), we have established an anti-commercial bribery team consisting of the Administrative Center and the deputy general manager and an anti-commercial bribery system.

In addition, our staff handbook specifies codes of conduct, which requires employees to discipline themselves, strictly control employees' acceptance of gifts or benefits, and prevent any conflicts of interest and bribes in their daily work. To raise the awareness among employees, the Group conducts training activities in this regard from time to time. Furthermore, we have established a whistleblowing mechanism to ensure that every employee is able to exercise the whistleblowing right when necessary and report suspected corruption through the whistleblowing box and hotline to protect the integrity of the Group. We also undertake strict confidentiality to protect the identity of the whistleblower. In terms of supplier management, suppliers are also required to sign a Supplier Integrity Commitment to prevent any unfair competition and violation of the laws and regulations.

During the Reporting Period, the Group was not aware of any violations of laws and regulations related to bribery, extortion, fraud and money laundering that have a significant impact on our operations.

Confidentiality and Intellectual Property Protection

In order to effectively protect the Group's intellectual property rights, motivate employees to make inventions, strengthen research and development results management, promote technological innovation activities, and improve its market competitiveness, we have developed a sound information security management under supervision of specific personnel. During the Reporting Period, the Group was not aware of any violations of laws and regulations related to customer data privacy and intellectual property that have a significant impact on our operations.

CREATING VALUE FOR EMPLOYEES

Human Resources



The Group focuses on the introduction of talents, and proactively explores and trains innovative talent for various positions, introduces the optimal configuration for training reliable talents and therefore promotes the flourishing of enterprises. We are committed to providing our employees with competitive remuneration and thoughtful and humane management, including basic salary, compensation, fixed working hours, rest time, holidays, medical insurance, mandatory provident fund, social security, meal allowance and dormitory supply, and regularly reviews the remuneration packages to ensure that employees receive remuneration that meets the market rate.

Meanwhile, the Company adheres to the principle of “openness, equality, competition and excellence”. We provide equal opportunities for all employees during recruitment, promotion and training, and only consider their performance and abilities regardless of factors such as gender, nationality, ethnicity or religious beliefs, so as to create an environment of mutual trust, openness and respect.

During the Reporting Period, the Group was not aware of any violations of laws and regulations related to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other welfares and benefits that have a significant impact on our operations.

Prevention of Child Labour and Forced Labour

The Group is committed to preventing child labour and forced labour, and strictly reviewing employee identification documents and job qualifications during the recruitment phase. We respect free choice of work. Our labour contracts are signed in strict accordance with the national laws and regulations and the Group's rules and regulations for the confirmation of employment relationships, while any form of forced labour is prohibited.

During the Reporting Period, the Group was not aware of any violations of laws and regulations related to child labour and forced labour that have a significant impact on our operations.

Occupational Health and Safety

The Group attaches great importance to safety management and occupational health of employees. Safety is the premise of production and operation and safeguarding safety has been the core task of our enterprise. Occupational health and safety hazards and risks will be minimised by providing employees with a good working environment, adequate labour protection supplies and guaranteed safe production, and the sound operation of an occupational health and safety management system OHSAS 18001:2007 and ISO 45001:2018. We strictly comply with relevant requirements of laws and regulations such as the “Labour Law of the People’s Republic of China”, “Safety Production Law of the People’s Republic of China”, the “Measures for the Supervision and Administration of Employers’ Occupational Health Surveillance”, “Regulations on Supervision and Administration of Occupational Health in Workplaces”, and “Provisions on Supervision and Administration of Labour Protective Articles”.





The Group has formulated the Emergency Preparedness and Response Control Procedures, which provides guidelines for the measures for prevention and handling of potential risks or emergencies, with a view to preventing or reducing the potential risks or environmental impacts and occupational health and safety hazards, including fire, chemical leakage, mechanical work-related accidents, etc. We regularly inspect fire protection facilities and materials, establish a fire safety management network, and equip high-risk areas such as chemical warehouses and woodworking houses with anti-explosion devices for lighting and power supply; The procurement, storage and use of chemicals shall be governed by the provisions of the Hazardous Chemicals Management System, so as to reduce the risk of leakage; The safety operating rules for various equipment shall be formulated, and all operators shall strictly follow the operating rules for the machine platform, and the hazardous parts shall be marked with conspicuous warning signs, and annual inspections shall be conducted according to the requirements of the Technical Quality Supervision Bureau, and the operators shall take their posts with certificates.

Medical Check-ups Welfare for Employees

We regard our employees as the foundation of the enterprise development and believe that their healthy body and positive mindset in pursuing their work are the great contribution to the growth and expansion of the Group. Nanfang Communication regards caring for the health of employees as a key task of its human resources strategy. As usual, we organise annual medical check-ups for employees as regular benefits and services. Through the comprehensive and detailed check-ups, we achieve the goal of “early diagnosis, early prevention, early treatment for healthier body”, enhance employees’ health awareness, improve work efficiency, thus allowing our employees to realise the care from the Company.

At the same time, the company has established a medical check-up file for each employee, providing timely feedback after the medical check-up, urging the employees with unusual health condition to seek diagnosis.



We have appointed an occupational health and safety representative, who is recommended by employees, responsible for various duties such as collecting employee’s opinions, assisting relevant departments to offer training properly, participating in safety meetings, supervising the implementation of corrective measures against non-compliance in the workshop, participating in the investigation of accidents, and serving as a focal point for communication between the employees and management. In order to enhance employees’ awareness and skills in respect of health, safety and environment, the Group conducts three levels of education for all new employees, namely company training, department training and team training. In addition, the Group provides training and drills on fire safety and chemicals to enable employees to grasp the use of relevant facilities, and increase their safety awareness and sense of responsibility, thus ensuring that they are able to respond in an effective and quick manner in the event of an accident, to minimise the hazard.

Safety Production Month

In order to further strengthen the implementation of all-round safety production of Nanfang Communication, we conducted a regular safety meeting and “Safety Production Month” according to the annual planning. Based on the theme of the Safety Production Month, a series of activities shall be further carried out to promote the development and self-inspection of various safety works, with a view to promoting and enhancing the safety awareness of employees, strengthening the daily management, conducting self-inspection and self-improvement properly and eliminating accidents.

Emergency Evacuation and Escape Drill

In order to strengthen emergency management, enhance employees’ awareness of fire safety as well as self-prevention and self-rescue capabilities, we organised emergency evacuation and escape drills. Guidance was provided to employees before the drill and recommendations were provided to employees with unsatisfactory performance after the drill. The drill adopted fire and smoke simulation, with an aim to further strengthening the employees’ awareness of fire safety and improve the emergency ability through the drill. The focus was as follows:

1. To get familiar with the alarming, fire-fighting, rescuing and escaping methods under the emergent situation
2. To take precautions and to train-up all employees to conduct routine operations for avoiding accidents
3. To strengthen mutual cooperation, improve overall emergency response abilities, and ensure life safety





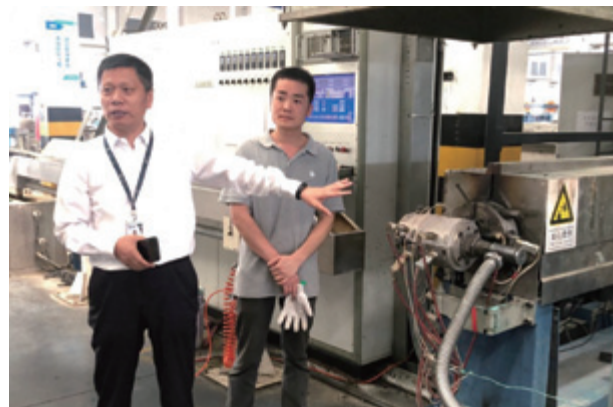
Fire-fighting Knowledge and Fire Drills

We invited the fire commissioner teachers to explain fire knowledge to our employees. The topics included fire prevention knowledge, emergency escape knowledge, basic knowledge of fire-fighting, use of equipment, allowing our employees to be familiar with self-rescue methods.

Fire drill was conducted on the sites, which covered the process of the discovery and reporting of fire source, determining the spread of fire for making emergency response, the initiation of plan, the fire-fighting on simulated scene, and at the same time the evacuation to the assembly point for counting and reporting.

Safety Training on Mechanical Injuries and Preventive Measures

Based on the possible mechanical damage identified in accordance with the professional guidance, we improved our safety protective equipment, developed mechanical safety training, so as to familiarise our employees with the risks and preventive measures. We coordinated the relevant personnel to conduct on-site mechanical injury prevention, as well as the emergency procedures for the injuries.



During the Reporting Period, the Group was not aware of any violations of laws and regulations related to providing a safe working environment and protecting employees from occupational hazards that have a significant impact on our operations, and has not experienced any deaths due to work-related injuries.

COVID-19

The Group has gradually resumed operations and production since March 2020 and we consider that the impact of COVID-19 on the Group's operations and future prospects would depend on the duration of the pandemic, the implementation of regulatory policies and relevant protective measures that might affect the business environment at which the Group is operating. The Group will stay alert on the development and situation of the COVID-19, continue to assess its impacts on the Group and take necessary actions to mitigate its business risk. As at the date of the Report, the above assessment is still in progress.

Training and Development

In line with the “people-oriented” principle, performance management is the strategic goal that shall be achieved by the enterprise. Through the continuous cycle of performance planning, performance implementation, performance appraisal and performance feedback, the Group improves the performance of employees to enhance the management process of departments and overall performance of the Company. The results of the performance appraisal are applied to the employee’s evaluation of the year, the year-end bonus and the internal promotion. We have established a career development channel for employees to achieve vertical upgrading of their position based on their capability improvement in accordance with the established standards.

In order to ensure that our employees at all positions are competent and their working quality are continuously improving, the Group has planned to arrange various trainings, introduce competition mechanism, open up channels for personnel movement, and offer strong assistance in their career development, including induction training for new employees (safety training, corporate culture training, workflow and regulations training, etc.), on-the-job training for employees (specific trainings for the serving management, team leader, office staff and back office administrators, sales staff and front-line staff) and financial support for further external training.

2019 Excellent Personal Award

The award is divided into two parts, namely the excellent personnel and technical experts. Based on the on-the-job performance assessment, dedicated excellent employees are selected to give recognition to the hard-working employees. This year, we have selected 10 employees from different departments and expressed our appreciation for their tireless efforts in creating better prospect of Nanfang Communication.

Employee Relationships

The Group has established numerous communication channels with employees and organised various team-building activities to create a harmonious corporate atmosphere and enhance employees’ happiness index and sense of belonging. It maintains open communication between employees and the management through various communication channels, including meetings, comment boxes, e-mails and telephone. During the Reporting Period, the Group also organised a wide range of employee activities, including the Dragon Boat Festival celebration, the Lantern Festival celebration, and annual gathering.



Dragon Boat Festival Celebration

In order to carry forward Chinese culture and express full wishes for our employees, the union of Nanfang Communication and the Party branch have prepared the Dragon Boat Festival activity for employees. As every year, we prepared the rice dumplings wrapping event for our employees punctually, where the employees may make their own rice dumplings step-by-step.

Lantern Festival Celebration

Nanfang Communication held the Lantern Festival event with a series of fun, such as hanging colorful lanterns, guessing the lantern-riddles and serving Chinese glutinous rice balls. The event took place in a festive atmosphere.



2019 Nanfang Communication Annual Gala

We strongly believe that the Group's new business achievements and new development can be achieved with the diligent efforts of our employees. So we hold annual gala to express our gratitude to each of our employees for their dedication throughout the year.

Both of our factories have established ISO 14001:2015 environmental management system that complies with the international standard, comprehensively identifying, managing, monitoring and controlling our impacts on the environment. In order to gain continuous improvements, we identify all major environmental risks in the production process and ensure that we take effective measures to manage such risks. Through the establishment and compliance of various control procedures such as the Waste Water, Waste Gas and Noise Control Procedure, the Hazardous Chemical Control Procedure, the Waste Control Procedure and the Energy Management Control Procedure, the Group ensures that the significant environmental factors and the significant hazardous sources are both effectively controlled among the relevant activities, products and services during the production process, and thereby influences the environmental behaviors of the relevant parties, with a view that the management system will not deviate from the management guidelines of the Group, thus ensuring the realisation of management objectives and indicators.




环境管理体系认证证书

环境管理体系认证证书
经北京中安质环认证中心有限公司审核，确认
江苏南方通信科技有限公司
符合标准GB/T 19001-2016/ISO 14001:2015
第一版质量管理体系要求。
注册编号：0320200700007646
《注册地址》：江苏省常州市武进区嘉泽镇南塘村1号
审核日期：2020年07月15日
颁发日期：2020年07月15日
有效期至：2023年07月15日

通信光缆、光纤的生产及相关活动
地址：江苏省常州市武进区嘉泽镇南塘村1号。
江苏南方通信科技股份有限公司
注册号：0320200700007646
有效期：2020年07月15日至2023年07月15日
发证日期：2020年07月15日

北京中安质环认证中心总经理
(经北京中安质环认证中心授权)
（盖章）：北京中安质环认证中心（加盖公章） 1号楼222室 邮编：100022

负责人：
任磊

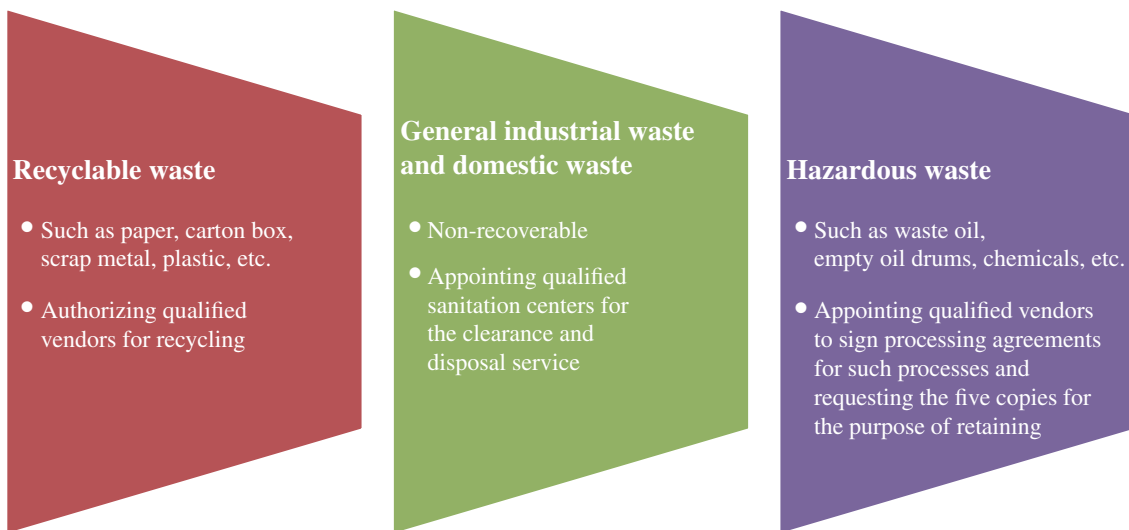
  证书编号：202007000007646
认证范围：environmental management system
注册获证企业：江苏南方通信科技
证书有效期至：2023年07月15日
证书编号：0320200700007646
http://www.cnca.gov.cn

 
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Waste Management

To effectively reduce impacts on the environment, we have established the Waste Control Procedure to ensure full compliance with relevant environmental regulations and to provide guidance on the generation, classification, storage, collection and disposal of waste. Waste is divided into four categories for further processing: recyclable waste, general industrial waste and domestic waste and hazardous waste. Based on different types, waste will be placed at designated storage locations with clear marks and precautions taken. To prevent secondary pollution, it is strictly forbidden to dump and place waste in non-storage areas. We also reuse or recycle waste as much as possible to reduce the amount of waste ended up in landfills.



During the Reporting Period, the Group produced only a small quantity of hazardous wastes which has been treated by qualified hazardous waste collectors. During the Reporting Period, the Group generated a total of 0.71 tons of hazardous wastes (such as waste cloth), with a density of 0.00001 tonnes per RMB ten thousand of revenue. In respect of non-hazardous waste, it is estimated that about 0.5 kg of domestic waste is generated per employee per day, thus a total of about 59.55 tons of domestic waste is generated in 300 working days with a density of 0.001 tonnes per RMB ten thousand of revenue. In the future, if circumstances permit, the Group will review and carry out waste data tracking.

Air and Greenhouse Gas Emissions

As an optical fibre cable supplier, air pollutants are released during our production process, such as coloring and sheathing. Through the installation of secondary discharge equipment of photo-catalytic oxidation and activated carbon fiber, we strictly ensure that the air quality meets the requirements of relevant emission standards before it is discharged. In addition, we engage relevant qualified inspection units to inspect the exhaust gas from the air outlet every year to ensure that our emissions are stable and meet the standards.

As for the vehicle exhaust, we carry out the vehicle pollution emission test every year according to the regulations, so as to ensure that all our vehicles are in good condition. If vehicles are found to be not complying with national emissions standards, exhaust purification devices will be installed. Our air pollutants are mainly nitrogen oxides, sulfur oxides and particulates matter in vehicle exhaust. During the Reporting Period, the Group's air emissions were as follows:

Air Emissions¹	Unit	2019	2018
Nitrogen oxides	Kg	43.38	14.46
Sulfur oxides	Kg	0.35	0.30
Particulate matter	Kg	3.84	1.06

To alleviate the challenges brought by climate change, we are committed to reducing our carbon footprint through effective energy use, details of which are further set out in the section headed by "Resource Management" in the Report. During the Reporting Period, the Group emitted a total of 8,531.86 tCO₂e greenhouse gases with an intensity of 0.11 tCO₂e per RMB ten thousand of revenue.

Greenhouse Gas Emissions	Unit	2019	2018
Scope 1 ²	tCO ₂ e	57.02	47.91
Scope 2 ³	tCO ₂ e	8,453.68	10,390.93
Scope 3 ⁴	tCO ₂ e	21.16	2.56
Total	tCO ₂ e	8,531.86	10,441.40
Intensity	tCO ₂ e per RMB ten thousand of revenue	0.11	0.12

¹ The air emissions data focuses on road vehicles with travelling distance record.

² Scope 1 – direct greenhouse gas emissions are generated from burning fuels by vehicles owned by the Group.

³ Scope 2 – indirect greenhouse gas emissions are generated from the use of purchased electricity by the Group.

⁴ Scope 3 – other indirect greenhouse gas emissions are generated from business trips of employees of the Group by air.

Resource Management

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

Energy Consumption

Our production sites and offices have implemented various energy-saving initiatives to conserve our resources and reduce our greenhouse gas emissions. For example, production equipment and appliances shall be turned off when not in use; when purchasing electrical appliances, we will consider the power efficiency and do not purchase equipment with low performance as possible. We have implemented improvement projects at our production sites to reduce energy consumption and effectively reduce maintenance costs:

- Provision of technical improvement, and application of a set of Roots blower in the sheathing process and replacement of the original vortex air pump on each line, which reduced electricity consumption by approximately 770kWh, and lowered the impact of noise generated by equipment operation on the site staff.
- Renovation of workshop lighting by replacing 400W mercury lamps with 150W LED energy-saving lamps, with a total of 120 LED energy-saving lamps replaced, which reduced energy consumption by 30,000W.
- New purchase of 10 cable production lines to replace the original 6 production lines with inefficient capacity, which improved the overall efficiency of the new production line by approximately 30% as compared to the original one.
- Installation with a photovoltaic power generation project in the Jin Tan Factory with a total power of 1.54 MW and an actual annual power generation of 2 million kWh.

During the Reporting Period, the Group consumed a total of 10,506,685.52 kWh of electricity, 19,353 litres of unleaded gasoline and 4,145 litres of diesel oil. The intensities were as follows:

Energy	Unit	2019	2018
Electricity	kWh	10,506,685.52	12,914,401.00
Intensity	kWh per RMB ten thousand of revenue	132.49	142.66
Unleaded gasoline	litre	19,353.00	20,562.50
Intensity	liter per RMB ten thousand of revenue	0.24	0.23
Diesel oil	litre	4,145.00	–
Intensity	litre per RMB ten thousand of revenue	0.05	–

Water Conservation

Based on previous water consumption, we set a corresponding consumption quota to monitor our water consumption. Our Production Management Department carries out monthly sampling at the major industrial water use points, and takes timely corrective and preventive measures when identifying any problem. In order to further improve the utilisation rate of water resource, we use recycled water for production, and try to achieve water reuse and recycling. As for the management of domestic water use, we installed meters in our office and living areas. To prevent water leakage, we also conduct regular pipeline inspections and maintenance work. We place a water-saving sign near the faucet to remind our employees to conserve water. During the Reporting Period, the Group had experienced no major problems in obtaining applicable water sources, with a total water consumption of 37,614 cubic meters and an intensity of 0.47 cubic meters per RMB ten thousand of revenue.

Water Resource	Unit	2019	2018
Water consumption	m ³	37,614.00	30,034.00
Intensity	m ³ per RMB ten thousand of revenue	0.47	0.33

Our production sites have obtained relevant discharge permits. Before waste water is discharged, the sewage generated by the industrial use will be treated in three stages by the sewage treatment facilities to ensure strict compliance with discharge standards.

Material Use

We actively encourage employees to communicate through electronic channels to reduce unnecessary paper use in the office. During the Reporting Period, the Group consumed a total of 3.56 tonnes of office paper with an intensity of 0.00004 tonnes per RMB ten thousand of revenue. For packaging materials, wood is the main packaging material. During the Reporting Period, the Group consumed a total of 2,120.75 tonnes of wood with an intensity of 0.03 tonnes per RMB ten thousand of revenue.

Material Consumption	Unit	2019	2018
Office paper	tonnes	3.56	4.54
Intensity	tonnes per RMB ten thousand of revenue	0.0004	0.0001
Packaging materials (wood)	tonnes	2,120.75	2,564.99
Intensity	tonnes per RMB ten thousand of revenue	0.03	0.03

Noise Control

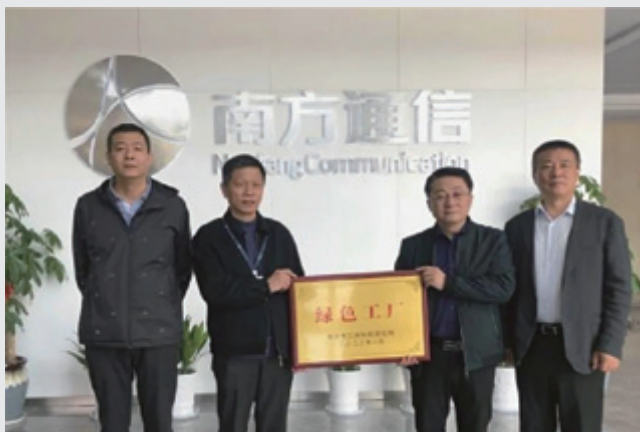
During our production process, machines will inevitably generate noise. In order to minimise disturbance to the environment, we regularly inspect, maintain and lubricate our production facilities to ensure that all the facilities work properly without any abnormal noise and is in compliance with the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

Green Production

In addition to implementing green initiatives in our production process, we also conduct green procurement to further reduce our impacts on the environment and to build a green supply chain. We have established a Green Procurement Standard to manage the Group's procurement activities and adhere to the procurement policy of "Reducing Environmental Loads" as a prerequisite for selecting materials and suppliers. When purchasing raw materials, semi-finished products, packaging materials and auxiliary materials, it is prohibited to purchase substances that have a negative impact on the environment or human health.

Green Factories

Our production sites have been included in the list of green factories of the Ministry of Industry and Information Technology in 2019. We will play an exemplary and leading role towards the green transformation of regional manufacturing, and Nanfang Communication will continue to enhance the green development level of enterprises and achieve green production. Nanfang Communication has upgraded and reconstructed according to the principle of "Factory intensifying, raw materials detoxifying, and resource recycling". We proactively respond to the national policies, and vigorously invest in modern facilities, in order to cooperate with the national implementation of green manufacturing projects. We will continue to focus on green transformation and support innovation in building a green system, thus leading the way of green production.



CREATING VALUE FOR THE COMMUNITY

As a responsible corporate citizen, the Group is committed to supporting the community where it operates to fulfill our corporate social responsibility. We attach great importance to public welfare support, assume social responsibilities, proactively participate in and organise various public welfare activities, and promote the development of the community where our enterprise is located. We strive to enhance the competitiveness of the Company, promote development and focus on the support for the education, public benefits, and the community. Upon the implementation of the Measures for the Administration of Donations, the Group regularly organises public events for the government and the community, and influences our employees, suppliers, customers and all stakeholders through the implementation of corporate social responsibility. During the Reporting Period, the Group made charitable and other donations in an aggregate amount of RMB794,200, through supporting various donations such as the construction of Shanpru Town Construction Project, Education Co-construction Guangcai Fund and Student Event Center Guangcai Fund.

2019 Luoyang Town “Outstanding Contribution Award”

Nanfang Communication has put great efforts and substantial contributions in promoting the economic development, solving local employment, creating profits and taxes, and has been honored by Luoyang Town government for successive years. Looking ahead, Nanfang Communication will keep its original aspiration and will forge ahead in promoting its corporate mission of “Coordinating industry upgrades and continuously enhancing innovation drivers”, with a view to fully implementing the operating policy of “market-oriented, product-centric, innovation-driven and mutually profitable development”. We will continuously develop more diversified and higher-quality communication products, will continuously promote the development of enterprises and will endeavour to promote social and economic development.



Accelerating Student Growth and Development

In order to enhance students' theoretical knowledge, Nanfang Communication is committed to serving as a focal point for communication between schools and enterprises, aiming to accelerate student growth and talent nurturing. In October 2019, more than 160 teachers and students from Optoelectronic Information Science and Engineering Specialty and New Energy Science and Engineering Specialty of Changzhou Institute of Technology joined the study visit to our Group.

Throughout the visiting of the production area, the students got close access to the entire manufacturing process of communication products that are related to their daily lives. During the visits, we introduced the history and future plan of Nanfang Communication. The detail technical explanation by our technical and production personnel provided the students a full understanding of the development planning in relation to the whole company, the internal operation and management of the company, as well as better understanding of their own careers path.

Through the study visit, we strengthen the students' understanding of how knowledge transfer from theory into practice, which is conducive to further deepen their knowledge in their specialties, as well as providing them better understanding of relevant professional prospects and market demand. Nanfang Communication also warmly welcomes students to take advantage of their vacation time to join the internship of the Company, thereby enhancing their practical ability, stimulating their learning enthusiasm, leading the path of professional learning, and promoting the development of the communication industry.



Fourth “Nanfang Fund” Scholarship Program

Talent is the most important driving force for the company, while talent must be nurtured through education. In order to fulfil its responsibility and obligation to the society, Nanfang Communication is committed to going into the campus and carrying out the charity activities of student caring and funding. The “Nanfang Fund” Scholarship Program is designed to support education, inspire children, and support them to achieve their dreams. The Fourth Special Scholarship for Outstanding Graduates of the “Nanfang Fund”, which had 10 recipients, gave recognition to outstanding students, and marked the new learning journey for them. In the future, we will support student caring and education, with a view to further helping the people and serving the society.



APPENDIX – ESG REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) of ESG Reporting Guide		Other Remarks
A1 Emissions	Information on: <ul style="list-style-type: none"> – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and nonhazardous wastes. 	For details, please see the section headed “Creating Value for the Environment – Waste Management, Air and Greenhouse Gas Emissions”
KPI A1.1	The types of emissions and respective emissions data.	For details, please see the section headed “Creating Value for the Environment – Air and Greenhouse Gas Emissions”
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	For details, please see the section headed “Creating Value for the Environment – Air and Greenhouse Gas Emissions”
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	For details, please see the section headed “Creating Value for the Environment – Waste Management”
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	For details, please see the section headed “Creating Value for the Environment – Waste Management”
KPI A1.5	Description of measures to mitigate emissions and results achieved.	For details, please see the section headed “Creating Value for the Environment – Waste Management, Air and Greenhouse Gas Emissions”

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) of ESG Reporting Guide		Other Remarks
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	For details, please see the section headed “Creating Value for the Environment – Waste Management”
A2 Resource Usage	Policies on efficient use of resources including energy, water and other raw materials.	For details, please see the section headed “Creating Value for the Environment – Resource Management”
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in’000s) and intensity (e.g. per unit of production volume, per facility).	For details, please see the section headed “Creating Value for the Environment – Resource Management”
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	For details, please see the section headed “Creating Value for the Environment – Resource Management”
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	For details, please see the section headed “Creating Value for the Environment – Resource Management”
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	For details, please see the section headed “Creating Value for the Environment – Resource Management”

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) of ESG Reporting Guide		Other Remarks
KPI A2.5	Total packaging material used for finished products (in tonnes) and, where appropriate, with reference to per unit produced.	For details, please see the section headed “Creating Value for the Environment – Resource Management”
A3 The Environment and Natural Resources	Policies on minimising the issuer’s significant impact on the environment and natural resources.	For details, please see the section headed “Creating Value for the Environment – Noise Control, Green Production”
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	For details, please see the section headed “Creating Value for the Environment – Noise Control, Green Production”
B1 Employment	Information on: <ul style="list-style-type: none"> – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare. 	For details, please see the section headed “Creating Value for Employees – Human Resources”
B2 Health and Safety	Information on: <ul style="list-style-type: none"> – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. 	For details, please see the section headed “Creating Value for Employees – Occupational Health and Safety”
B3 Development and Training	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	For details, please see the section headed “Creating Value for Employees – Training and Development”

Subject Areas, Aspects, General Disclosures and Key Performance Indicators (KPIs) of ESG Reporting Guide		Other Remarks
B4 Labour Standards	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	For details, please see the section headed “Creating Value for Employees – Prevention of Child Labour and Forced Labour”
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	For details, please see the section headed “Creating Value for Customers and Supply Chains – Supply Chain Management”
B6 Product Responsibility	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	For details, please see the section headed “Creating Value for Customers and Supply Chains – Product Value, Customer Focus, Confidentiality and Intellectual Property Protection”
B7 Anti-corruption	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	For details, please see the section headed “Creating Value for Customers and Supply Chains – Anti-Corruption”
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests	For details, please see the section headed “Creating Value for the Community”