

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020



YONGAN HOLDINGS

浙江永安融通控股股份有限公司

ZHEJIANG YONGAN RONGTONG HOLDINGS CO., LTD.\*

*(a joint stock limited company incorporated in the People's Republic of China)*

Stock Code: 8211

*\* For identification purpose only*

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## 1 ABOUT THE REPORT

### 1.1 Reporting Purpose

The board of directors (the “Board” or the “Directors”) of 浙江永安融通控股股份有限公司 (Zhejiang Yongan Rongtong Holdings Co., Ltd.\*) (the “Company”) is pleased to present to our shareholders the fifth Environmental, Social and Governance (“ESG”) report (the “Report”) of the Company and its subsidiaries (the “Group” or “We”). With brand awareness we built over years, we seize the development opportunity to maintain the leading position in textile industry. We believe that our responsibility goes well beyond providing quality product and services for customers. We are pleased to publish this Report to list the environmental and governance matters of the Group and describe our work on sustainable development.

### 1.2 Reporting Scope

The Report discloses the measures and performance of the Group on material sustainable development aspects during the period from 1 January 2020 to 31 December 2020 (the “Reporting Period”). Unless otherwise stated, the Report covers our manufacturing and sales of woven fabrics (as the main source of income of the Group) in Zhejiang Province, the People’s Republic of China (the “PRC”).

### 1.3 Reporting Standard and Principles

The Report is prepared in accordance with the disclosure requirements of the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and was approved by the Board in May 2021. The end of the Report also provides an index of relevant contents to improve the readability of the Report.

The Report discloses relevant data and information pursuant to the principles of materiality, quantitative, balance and consistency:

- Materiality: Through engaging with stakeholders as well as considering the Group’s business nature and development, material sustainability issues are identified.
- Quantitative: The Group discloses its key environmental and social performance indicators quantitatively where appropriate.
- Balance: The contents of the Report should provide an unbiased picture of our performance for the year so as not to inappropriately affect the decision-making or judgment by report readers.
- Consistency: The data disclosed in the Report has been using a consistent statistical methodology to allow stakeholders to make meaningful comparisons.

### 1.4 Access to this Report

The Report is available in both Chinese and English on the websites of The Stock Exchange of Hong Kong Limited and the Group. In case of discrepancies or inconsistency between the two versions, the Chinese version shall always prevail.

\* For identification purpose only

## 1.5 Opinions on this Report

Any opinion and suggestion on this Report and sustainable development are welcome. Please feel free to contact us with your opinions through the following methods.

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## 2 ABOUT THE GROUP

The Group is mainly engaged in the research and development (“R & D”), manufacture and sales of quality woven fabrics and has plants in Zhejiang Province, the PRC for production. “Relying on technology, developing products, winning by quality, expanding trade, strengthening management, and improving efficiency” are our consistent business policy and core value. We continue to pursue our goal of becoming the leader of the industry by continuously improving our product quality, business structure and sales channels. Confronting with the ever-changing market environment, we have built our own product R & D center for development, experiment and testing purposes, researched and developed various brand-new technologies and products, and obtained the qualifications of “Enterprise Research and Development Centers” as accredited by Shaoxing City and “Sci-tech Small and Medium Enterprises in Zhejiang Province” as accredited by the Science and Technology Department of Zhejiang Province, by upholding the entrepreneurship of “Solidarity, Pragmatic and Innovative” and the market development strategy of “exploring the market with new product offerings” as our guide, which marks the symbol of our strengths in textiles and equipments in society.

## 3 SUSTAINABLE DEVELOPMENT GOVERNANCE

With the long-term stable growth of the Group in mind, the Board assumes the ultimate responsibility of supervising the Group’s risk management activities and monitoring the major environmental, social and governance risks. The Group considers risk management as an integral part of daily management and sound corporate governance. Due to the constantly changing economic, industrial, regulative and operational condition in the competitive business environment, risk management mechanism is helpful for the Group to assess and minimize the risk of preventing us from achieving our business goals. The Group assesses and identifies the risk and opportunity on environmental, social and governance matters and reviews its impacts. We share the common internal audit function with Zhejiang Yongli<sup>1</sup>, our ultimate controlling shareholder. The risk management and internal control system is assessed by the internal audit department of Zhejiang Yongli independently. The Group has a set of risk management system in place, conducts regular risk assessment every year, which covers the environmental, social and governance aspects, and has formulated and implemented risk mitigation measures in respect of the identified risks. Combining with well-established internal control measures are helpful for continuously identifying, assessing, optimizing, managing and monitoring risks that the Group confronted with during the course of operation. For details on our risk management methods, please refer to the section headed “Corporate Governance Report” in the 2020 Annual Report.

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<sup>1</sup> The Company is a joint stock limited liability company established in the PRC, the H shares of which are listed on the GEM of The Stock Exchange. Its intermediate parent is 貴州永安金融控股股份有限公司 (Guizhou Yongan Finance Holdings Company Ltd.\*) (“Guizhou Yongan”), an enterprise established in the PRC, and the ultimate holding parent and ultimate controlling party of the Company is 浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Co., Ltd\*) (“Zhejiang Yongli”), which is established in the PRC.

## 4 OUR SUSTAINABLE DEVELOPMENT STRATEGY

“Solidarity, Pragmatic and Innovative” are the Group’s core values, and are also the cornerstone of our sustainable development. We are committed to creating lasting values for stakeholders by taking into account of the environment, social and governance factors and risk management strategy during the course of operation. The below four dimensions lead each step of our sustainable development:

**Creating Values for Customers:** Providing high-quality products at a reasonable price for enhancing values for customers.

**Creating Values for Staffs:** Providing professional development atmosphere for staffs to grow together in pursuit of our goals.

**Creating Values for the Environment:** Reducing the impacts of operation on the environment through responsible operation and management.

**Creating Values for the Industry:** Actively participating in industrial trade fairs to promote industrial development.

## 5 COMMUNICATION WITH STAKEHOLDERS

We believe that stakeholders’ opinions will bring insight into the business development of the Group and are critical to the key matters and growth factors on sustainable future. We treat customers, employees, suppliers, shareholders, government and communities as important stakeholders of the Group. We communicate regularly with our stakeholders through multiple channels, such as email, meeting, staff communication group, customer satisfaction survey and participation in industry exhibitions etc., to deeply understand their needs and expectation on the Group and respond accordingly, and minimize risks and strengthen important relationships.

## 6 MATERIALITY ASSESSMENT

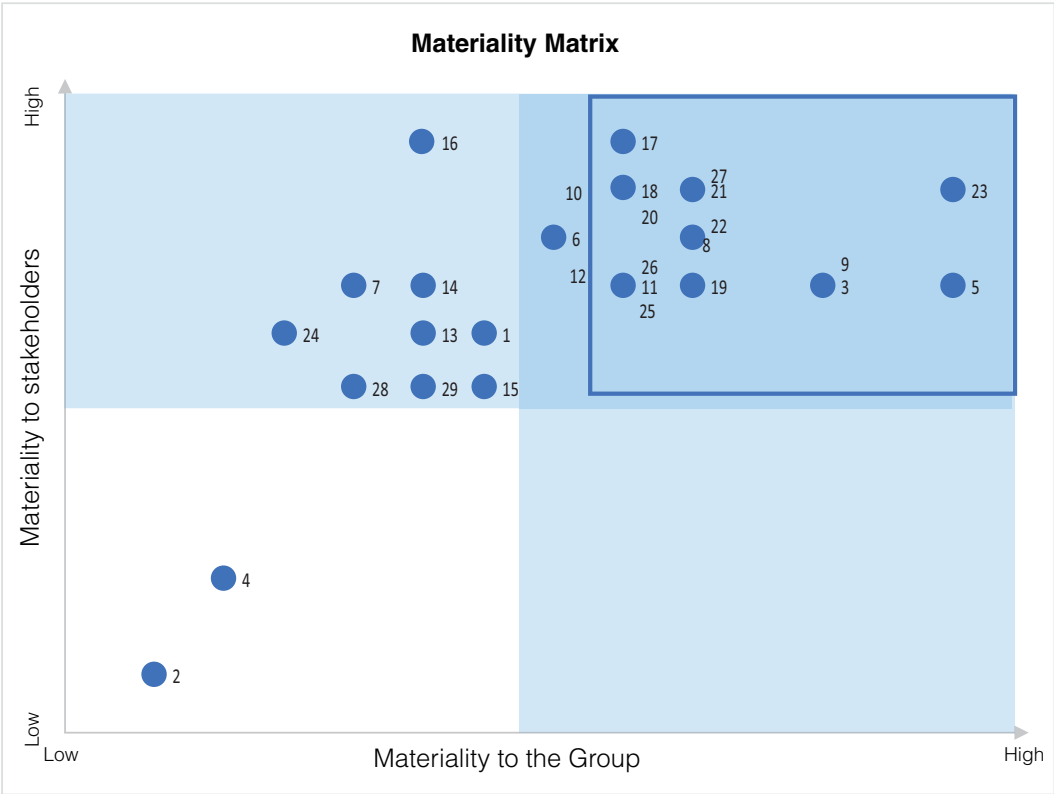
In order to understand the major issues of stakeholders’ concern, we engaged an independent third party to conduct online survey, through which the Group conducted stakeholder engagement to identify the material issues of the Group. We have identified a total of 29 environmental, social and governance issues during our analysis of material scope during the year. We concluded the results of stakeholders’ opinions and prepared a materiality matrix according to the analysis results that can accurately reflect the true concerns of stakeholders on environmental, social and governance issues, with the analysis results to be used by the Group as a reference to assess the strategic planning and risk management and as the basis on which to prepare the Report.

<i>Steps of Materiality Assessment</i>	
1. Identification of issues	Conclude 29 issues that are applicable to the Group according to the ESG Guide of the Stock Exchange, the industry benchmarking and the operation model of the Group.
2. Stakeholders' participation	Stakeholders to participate in online survey and give a score ranging from 1 to 6 scores according to the extent of materiality of the identified sustainability issues (1 score for least important and 6 scores for most important).
3. Sequencing of material issues	Count and analyze these issues according to the assessment and survey results of the internal staff of the Group and the external stakeholders to form a materiality matrix.

The materiality scope we considered:

<b>Labour issue</b>	<b>Environmental issue</b>	
1. Diversity and equal opportunity 2. Staff turnover rate 3. Occupational safety and health 4. Talent cultivation and development 5. Prevention of child labour and forced labour 6. Employment relationship and staff communication 7. Staff 's compensation and benefits	8. Greenhouse gas emissions 9. Air emissions 10. Climate change 11. Treatment of non-hazardous waste 12. Treatment of hazardous waste 13. Energy conservation and water consumption 14. Use of resources 15. Assessment of impact on surrounding environment	
<b>Supply chain issue</b>	<b>Product liability issue</b>	<b>Community participation issue</b>
16. Assessment and management of suppliers' environment and social performance 17. Anti-fraud and anti-corruption and related training 18. Disaster emergency plan 19. Assessment of suppliers' environmental and social performance 20. Anti-money laundering system	21. Product safety and quality 22. Intellectual property rights 23. Protection of customers' / consumers' privacy 24. Technological research and development 25. Handling of customers' complaints 26. Customer satisfaction 27. Law-compliant operation	28. Participation in voluntary activities 29. Charitable donation

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**Year ended 31 December 2020**



According to the above matrix, set out on the upper right are the issues that matter the most to stakeholders. Among these, we concluded the following 15 environmental, social and governance issues that are identified to be relatively material, and highlighted them in the Report:

<b>Material disclosure issue</b>	<b>Disclosure section</b>
3 Occupational safety and health	Occupational health and safety
5 Prevention of child labour and forced labour	Child labour or forced labour
8 Greenhouse gas emissions	Emission management
9 Air emissions	Emission management
11 Treatment of non-hazardous wastes	Waste management
17 Anti-fraud and anti-corruption and related training	Anti-corruption
18 Disaster emergency plan	Occupational health and safety
19 Assessment of suppliers' environmental and social performance	Supplier management
20 Anti-money laundering system	Anti-corruption
21 Product safety and quality	Product quality
22 Intellectual property rights	Intellectual property rights protection
23 Protection of customers' / consumers' privacy	Confidentiality of customer information
25 Handling of customers' complaints	Customer satisfaction
26 Customer satisfaction	Customer satisfaction
27 Legal-compliant operation	Creating values for customers

## 7 CREATING VALUES FOR CUSTOMERS

### 7.1 Product Quality

The key to the success of the Group is to prioritize quality, improve competitiveness and produce suitable products that meet customers' needs. In line with the "Product Quality Law of the PRC" (《中華人民共和國產品質量法》) the quality guideline of "Acting Meticulously to Meet Customers' Needs While Keeping Improving to Exceed Customers' Expectation" and the production principle of "Sustaining by Quality, Developing by Reputation and Benefiting by Management", the Group formulates and reviews its annual quality plan at the beginning of every year.

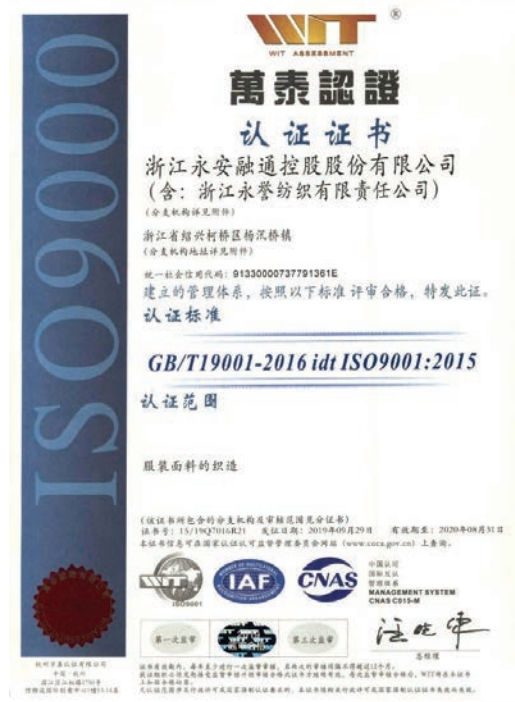
To maintain product quality is the first priority in our entire production process. From the procurement of raw materials to the maintenance of ancillary equipment to every production process and then to product testing, all what we do are to ensure our stable quality. We have each of our workshops equipped with our quality inspection staff and we have also formulated detailed review procedures covering raw materials, grey fabric, semi-finished products and finished products to ensure all of our products meet our specified standards before they are permitted to enter the next process. Our quality laboratory records quality data and establishes quality database. By regularly analyzing the testing data and our historical experience, we are able to understand the fluctuations in quality. Should the quality be found to be increasing abnormal, we will timely require our workshops to undergo rectification. In addition to the internal testing, the Group will regularly deliver its products to Zhejiang Provincial Quality Supervision Bureau for testing so as to ensure the quality and safety of the products and to ensure that our products meet the national quality standards. We also set clear quality objectives and aim to meet our expectations for quality productivity each year. The quality objectives can be basically summarized as follows:

1. the Company's product qualification ratio remains stable at above 97%;
2. the product batch qualification rate shall reach at least 98.5%;
3. the customer satisfaction rate shall reach at least 95% and increases by 0.5% year by year until stabilizing at 98%; and
4. the customer feedback handling rate is more than 98%.

All related rates have been achieved during the year.

The textile industry is a more traditional industry, but it is directly affected by the evolving fashion circle. In order to meet the market and customers' requirements, we regularly fine-tune and improve various artwork quality management systems to ensure that our business and production process are both up-to-date.

In order to establish an effective management system and achieve the normalization and standardization of corporate management, we have incorporated various management





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activities in our system for standardised management in accordance with the international quality management system standard ISO9001:2015 and have obtained the relevant certification. Our quality management work will become programmed and normalized and our emergency and passive management will become predictive and controllable management. Based on the workflow standard of “Prevention First, Process under Control and Review and Improvement afterwards”, we ensure that the quality of the production process is effectively controlled and consistently improved.

During the Reporting Period, all of the products delivered for inspection had passed the testing, and we had not received any material complaints about product quality or any case in which the sold products had to be recalled for health and safety reasons. If any customer finds defective products, we will recall the products in the first place for check and then return them back to the customer after correction. We strictly comply with the Product Quality Law of the PRC” (《中華人民共和國產品質量法》) and other laws and regulations relating to product quality and labels. During the Reporting Period, we were not aware of any circumstances that we had seriously breached relevant laws and regulations in respect of product health and safety and labels.

### 7.2 Customer Satisfaction

Adhering to the core value of customer first, the Group deepens the communication and exchange with our customers, accurately understands our customers’ appeals, properly handles customers’ complaints and seeks for the improvement of overall customer service and satisfaction by constantly improving our customer service system. According to the results of the materiality assessment, not only our customers but also all of the staff of the Group consider that the customer satisfaction is a very important topic. We listen to the voice of our customers through many channels. Our sales department will conduct a customer satisfaction questionnaire with our customers to understand their satisfaction on ten items including our product quality and services. During the course of questionnaire, they may give a score and feedbacks on dimensions such as product price, package, texture, appearance, label, delivery period, service method, service attitude, feedback time, and stability.

For handling of customer complaints, we did not receive any material complaints during the year and other complaints received are mainly related to the quality of fabric. Once the complaint is received, we will first arrange relevant department to record and then arrange relevant workshop to recall products for repair and return them back as soon as possible after the repair has been finished.

In 2020, our customer satisfaction was improving and the average satisfaction degree was 97.7% (2019: 97.6%) according to the survey results, representing an increase of 0.1% (2019: 0.9%) over that of the previous year.

### 7.3 Confidentiality of Customer Data

We strictly protect the information provided by our customers, formulate our confidentiality system, define our confidentiality scope that covers customer data, etc., and take various confidentiality measures. For instance, we grade the information that we shall keep confidential and only authorize the person on a certain position or above to use, receive or send, forward, apply, copy or extract them. If a leaker is found, he or she will be fired and claimed economic compensation or damages, or in more serious circumstances, be accountable for legal responsibilities. During the Reporting Period, the Group was not aware of any circumstances that we had breached the laws and regulations related to the confidentiality of customer data and privacy including but not limited to the “Anti-unfair Competition Law of the PRC” (《中華人民共和國反不正當競爭法》), and “Certain Provisions on Prohibition of Infringement of Business Secrets (Revised)” (《關於禁止侵犯商業行為的若干規定(修正)》).

## 7.4 Promotion and Advertisement

The Group is committed to complying with the advertisement related rules, including but not limited to the “Advertisement Law of the PRC” (《中華人民共和國廣告法》), and provide clear and reliable information on products and services on the publicity materials (such as brochures and web pages). Such promotional channels can help customers make wise choice. We are committed to promoting our products and services and providing customers with reliable information in a responsible manner in accordance with the requirements of relevant laws and regulations.

During the Reporting Period, the Group was not aware of any serious breach of laws and regulations in respect of product advertisements.

## 7.5 Intellectual Property Rights Protection

The Group strictly complies with the “Patent Law of the PRC” (《中華人民共和國專利法》), the “Trademark Law of the PRC” (《中華人民共和國商標法》) and other relevant laws and regulations, and are committed to protecting the intellectual property rights and patents of the Group and other parties. We respect the intellectual property rights and never tolerate the infringement of copyrights by any third parties. We specify the matters in relation to the intellectual property rights that the staff shall keep confidential in the labour contract. If any violations were found, disciplinary actions will be taken and serious offenders will be punished by law. We have passed the certification of the nationally recognized “Enterprise Intellectual Property Rights Management Regulations” (《企業知識產權管理規範》)(GB/T29490-2013) and obtained the “Intellectual Property Management System Certification Certificate” (《知識產權管理體系認證證書》) to certify our internal regulated management of patents and trademarks. Up to now, we have accumulated nearly 51 (2019: 44) products that successfully obtained patent licensing. During the Reporting Period, we were not aware of any violation of laws and regulations relating to the protection of the intellectual property rights.

## 7.6 Supplier Management

Quality raw materials are vital to the quality products of the Group. We have established a systematical process management, which requires that relevant departments shall deliver procurement orders to the procurement department through the internal system and the procurement department will invite two or three suppliers to provide quotation for consideration through market survey and analysis. We will also prioritize the suppliers located in neighboring districts so as to reduce transportation costs and carbon emissions. Our procurement staff regularly visits our major suppliers to further understand their latest operational status and continuously supervise and assess their product quality, service levels, prices, etc. In addition, we make regular assessment on our suppliers and rate them in terms of quality, delivery time, price and payment method, complaint handling and service quality as a whole. For those under-performance suppliers, we make recommendations to them or consider choosing cooperation with new suppliers.

Meanwhile, we value the synergic development of the supply chain and are committed to pushing suppliers to take up their social responsibility. By formulating and publishing the Code of Conduct for Suppliers, we can regulate our requirements and expectations on suppliers in terms of quality, environmental protection, occupational health and safety, behavior and ethnics, laws and regulations, with an aim to create an interdependent multi-win environment under shared development.

During the Reporting Period, all of our 9 (2019: 8) major suppliers in relation to our production were located within China.

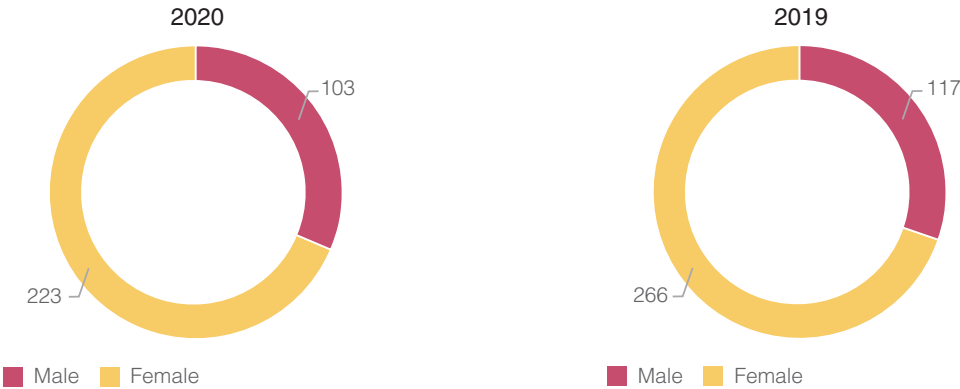
**8 CREATING VALUES FOR STAFFS**

Our staffs are of vital importance to the success of the Group. We attract talents by ensuring fair opportunities, balanced work and life and supporting our staff in leveraging their greatest potential. We strictly comply with the “Labour Contract Law of the PRC” (《中華人民共和國勞動合同法》), the “Labour Law of the PRC” (《中華人民共和國勞動法》) (the “Labour Law”) and other local applicable employment related laws and regulations. During the Reporting Period, we were not aware of any material breaches of relevant laws and regulations in the employment and labour standards of the Group.

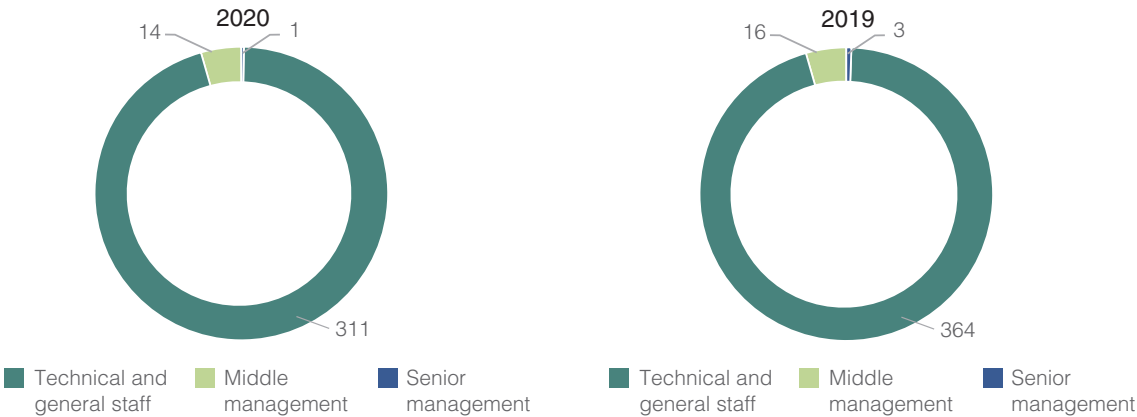
**Staff Overview**

As of 31 December 2020, we had a total of 326 (2019: 383) full-time staffs by our business section for manufacturing and sales of woven fabrics in Zhejiang Province, all of whom are from Mainland China.

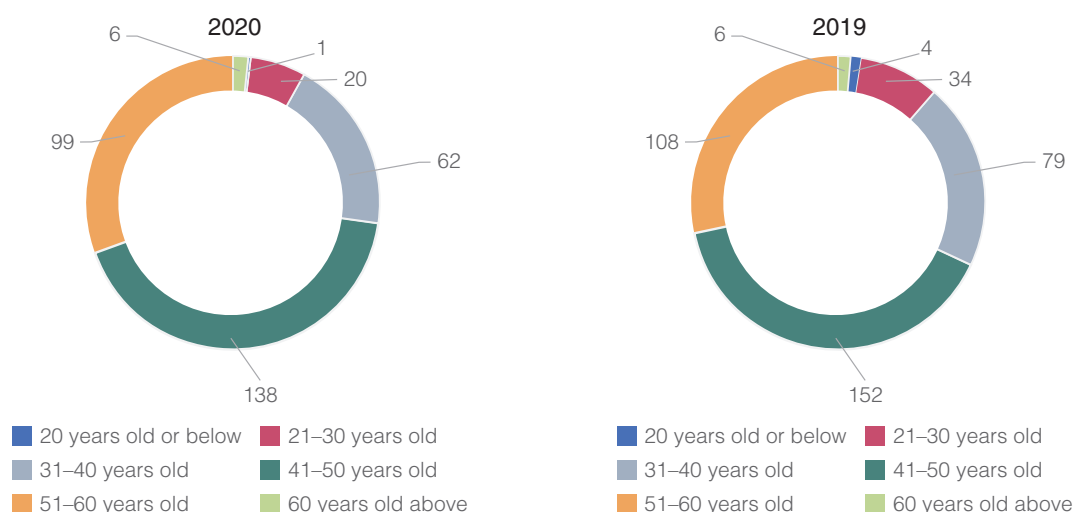
**Total number of employees by gender**



**Total number of employees by employment type**



**Total number of employees by age group**



### 8.1 Recruitment

In terms of attracting talents, we promote our recruitment through advertisements and staff referrals. Female employees accounted for two-thirds of the total number of employees as our workshops are featured by workmanship and therefore are more likely to attract female applicants. Nevertheless, we have always upheld the recruitment principle of fairness and openness. The results of recruitment will never be allowed to be affected by factors unrelated to work skills.

### 8.2 Remuneration

The Human Resources Department is responsible for the daily management of salaries of the Group. Under the principles of fairness, reasonableness, scientificity and economy, the Group sets the remuneration management system, which emphasizes the work ethics such as diligence and duty-conscientiousness and aims at aligning the interests of the Group with those of our employees. The remuneration of employees consists of post-specific salaries (including basic salary and post wage), seniority wage, professional title subsidy, bonus, etc., among which the basic salary, post-specific salary, seniority wage, and professional title subsidy are paid to employees on a monthly basis, while bonus is calculated annually and paid at the end of each year.

### 8.3 Termination of Employment

Labour contracts between the Group and our employees may be terminated and compensation in respect thereto may be paid in accordance with the Labour Law and relevant regulations of the PRC. Generally, the Group terminates the employment only when the relevant employee is in material breach of labour disciplines.

### 8.4 Promotion

We provide job offers to candidates on an equal basis, and grant promotion opportunities for those of integrity, good work performance, sense of responsibility and intense enterprise to higher positions for more challenging work. Generally, promotion is made by one level, or by several levels in exceptional circumstances. We also offer our employees more opportunities to deploy their posts based on their working abilities in the hope of developing their potential.

## 8.5 Working Hours

Generally, the business hours of the Group last from 8:00 a.m. to 5:00 p.m., with one hour in and between for lunch and rest. The specific working hours for factory workers changes subject to the seasonality and time limits for operations.

## 8.6 Leaves

Employees are entitled to national statutory holidays, as well as sick leave, personal leave, home leave, bereavement leave and maternity leave under the “Labour Law of the PRC” (《中華人民共和國勞動法》).

## 8.7 Equal Opportunities, Diversity and Anti-discrimination

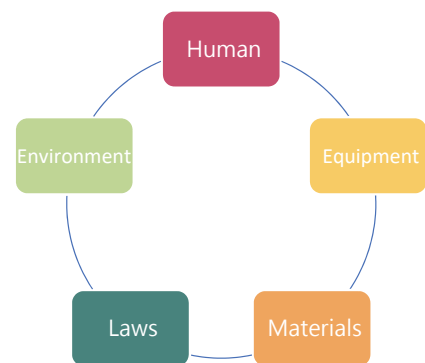
To respect equal opportunities and embrace the diverse working environment is the foundation on which we create a rapport working environment. We believe that it is important to provide employees with equal opportunities regardless of race, skin colour, gender, sexual orientation, religion, age, disability, etc.

## 8.8 Benefits and Welfare

We pay pension insurance, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing provident fund (five insurances and one fund) for our staff as required under the “Labour Law of the PRC” (《中華人民共和國勞動法》), and also hold staff festival activities to express our care for and attention to them. For example, at festivals, including the Women’s Day, the Dragon Boat Festival, the Mid-Autumn Festival and our factory anniversary on 6 December of every year, we present our festival gifts, daily necessities or welfare payments, just like our best complements for our beloved family members. Understanding the plight of our employees from other provinces who are compelled to leave their hometowns, we will provide them with dormitories for free, hoping that it can offer them a casual and comfortable space after work.

## 8.9 Occupational Health and Safety

We cherish our competent and engaged employees by providing them with safe and healthy working conditions. We strive to constantly optimize and maintain a good working environment that is free from work-related accidents and illnesses. We always endeavor to improve our employees’ physical, mental and emotional health. We control the safety related work in five aspects, namely human, equipments, materials, laws, and environment.






Human	New employees can start work only after receiving trainings on safety education at factory level, workshop section level and post level, and getting qualified. Job-transfer training is required for any change of post.
Equipments	Equipments for safety operations, and individual protective equipments, such as gloves, protective glasses, work clothes, insulated shoes, anti-dust masks are provided
Materials	Materials on production sites, not exceeding the standard quantity, are well stored, while inflammable and explosive articles are deal with extra attention.
Laws	We have formulated a set of safety systems including the “Work Injury Accident Handling System” (《工傷事故處理制度》) and the “Fire Safety Management System” (《消防安全管理制度》), which set out the safety rules and emergency measures for work injuries, fire and other emergencies.
Environment	We emphasize the management of areas with security concerns and prohibited unauthorized entries.

In addition, with regard to the outbreak of COVID-19, the Group would like to raise awareness among its employees about the importance of maintaining their health, and therefore organized them to participate in lectures on epidemic prevention and control.

As for the occupational health and safety management involved in the weaving process of apparel fabrics, the Group has also established a sound management system, and has successfully obtained ISO 45001:2018 certification during the year, which demonstrates that the occupational safety and health meet international standards. During the Reporting Period, we were not aware of any violation of the “Law of the PRC on the Prevention and Control of Occupational Diseases” (《中華人民共和國職業病防治法》) and other laws and regulations relating to occupational safety and health, nor any death or injury accidents occurred due to the work.

**8.9.1 Epidemic Prevention and Control**

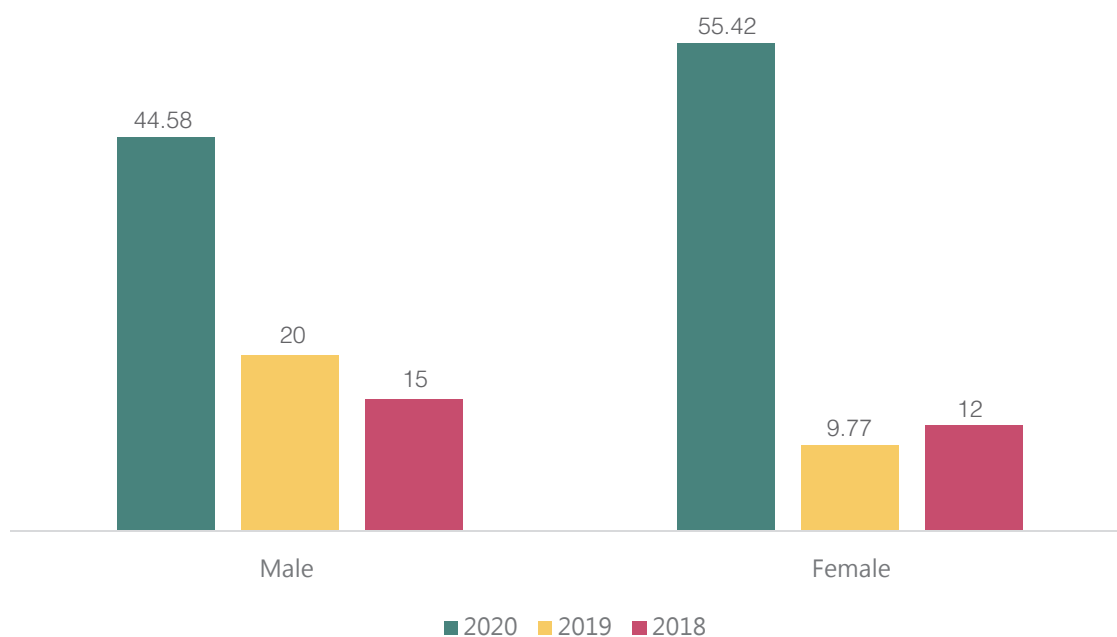
In order to protect our employees from the sudden outbreak of the Coronavirus Disease (“COVID-19”), we have taken a series of precautionary measures and developed guidelines on the epidemic prevention and control to provide them with clear guidelines to minimize the risk of infection as a result of their work environment. The measures implemented can be classified as the following three major categories:

<p>Anti-epidemic control</p> 	<ul style="list-style-type: none"> <li>• The special prevention and control leading group set up by the person in charge of the Company and the heads of various departments is responsible for leading the staff of each department to effectively and comprehensively control the outbreak of the epidemic;</li> <li>• An inspection team is arranged at the entrance and exit of the factory and dormitory to conduct temperature check and personal data registration for all visitors. Health monitoring results are reported to the Street Office on a daily basis.</li> <li>• Each subsidiary is required to be equipped with adequate inspection facilities and safety materials (e.g. protective masks, thermometers, alcohol disinfectants and rubber gloves, etc.);</li> <li>• Employees should not only wear protective masks and develop the habit of washing their hands frequently, but also strengthen the disinfection of the workplace. In particular, the ventilation and disinfection mode in the canteen area should be improved, and the separate dining system or boxed meal system is adopted to prevent employees from eating in groups and reduce crowd gathering. For public facilities, regular disinfection of door handles and elevator buttons is required;</li> <li>• Indoor air must remain in circulation and air conditioners must be cleaned regularly in offices where air conditioning is in operation;</li> <li>• Waste protective masks must be collected uniformly in the trash cans, and arrangements must be made to disinfect the trash cans twice a day at regular intervals using 75% alcohol or chlorinated disinfectant; and</li> <li>• The Group also has contingency measures in place to transport suspected patients to temporary quarantine rooms and to contact local disease control agencies for assistance and to implement 14-day quarantine measures when necessary.</li> </ul>
<p>Orderly resumption of work</p> 	<ul style="list-style-type: none"> <li>• The Group will make flexible arrangement for resumption of work for each department and workshop in line with the development of the outbreak and in accordance with instructions of the local government. We will set up health records for the employees who have been arranged to resume work to record personal information, such as places visited in the last 14 days, the means of transport they have taken or whether they have been travelled to areas with more serious outbreaks, and the temperature measurement results.</li> </ul>
<p>Enhancement in publicity on epidemic prevention</p> 	<ul style="list-style-type: none"> <li>• The heads of the departments will communicate and ensure that employees are aware of the latest requirements from local government. Through posting notices and convening meetings for discussion, we widely publicize the relevant knowledge of COVID-19 pandemic prevention and control, so that our employees can protect themselves.</li> </ul>

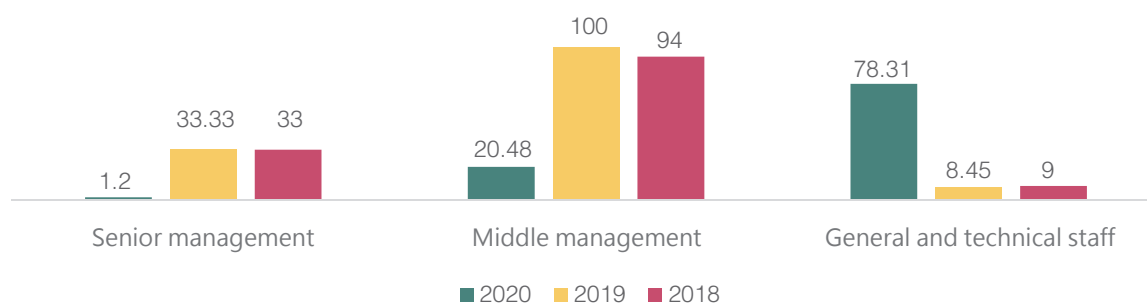
## 8.10 Talent Training

We are committed to providing our employees with a challenging, enlightening and attractive working environment, encouraging self-development. With our significant investment on talents, we provide our employees with varied options for trainings and development, promoting the mutual development between the Group and our employees. We provide various trainings, including skills improvement techniques, operation procedures of management system, identification of environmental factors and hazards, inspection techniques, occupational health and safety management system, fire safety knowledge and emergency preparedness as well as laws and regulations.

**Percentage of employees trained by gender(%)**



**Percentage of employees trained by employee category(%)**

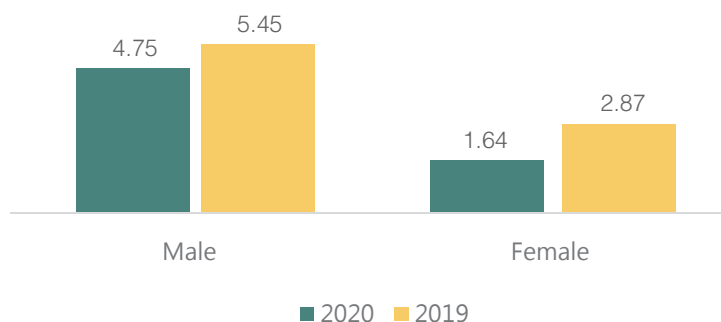




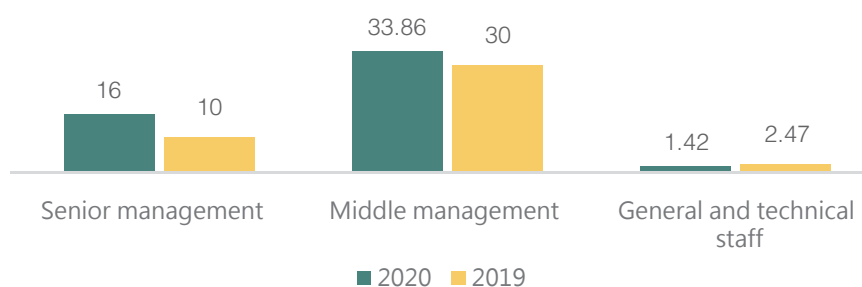
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Year ended 31 December 2020

Average training hours completed per employee by gender (hours)



Average training hours completed per employee by employee category (hours)



Note: The average hour number of the employees for the Reporting Period is calculated based on the inclusion of the number of left employees to reflect more fully the resources invested in training by the Group.

### 8.11 Anti-corruption

The Group committed to adhering to the highest ethical standards in our business activities. We abide by the relevant laws and regulation such as the “Anti-unfair Competition Law of the PRC” (《中華人民共和國反不正當競爭法》), and the “Criminal Law of the PRC” (《中華人民共和國刑法》). In addition, we emphasize the anti-corruption policies and guidelines set out in our “Employees’ Handbook (《員工手冊》)”, thus preventing the Group and our employees from involving in any bribery, extortion, fraud and money laundering and strictly prohibiting seeking personal or accepting interest from operations. Prior to joining or cooperating with the Group, relevant employees and suppliers with certain volume of business are required to enter into an Integrity Agreement (《廉政協議》), committing to comply with the Company’s policies and local laws and regulations in order to maintain the principles of “openness, fairness, impartiality, integrity and transparency” and to ensure the integrity in our business activities. Whistle-blowing may be made to the direct supervisors or the human resource department, or by writing to the general manager either in their real names or anonymously for filing complaints through the general manager’ letter box. All reports will be dealt with seriously as confidential information. During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations concerning any corruption, bribery, extortion, fraud and money laundering.

## 8.12 Child Labour or Forced Labour

We strictly abide by the “Labour Contract Law of the PRC” 《(中華人民共和國勞動合同法)》 and other applicable labour rules of the region where our operations are located, and adopt the zero-tolerance policy for any form of child labour or forced labour incidents. The Group will not sign labour contract with each employee on a voluntary basis until the age of the employee is verified by the Human Resources Department in accordance with valid local identification documents. If someone under the minimum legal age of employment is founded to be employed by the Group, which falls within the scope of child or forced labour, we shall take the person employed away from the workplace in accordance with the relevant law, always for the best benefits of the person employed, and send he/she to an occupational health inspection institution for a physical check-up. We will immediately identify the problems in our recruitment process and take remedial measures accordingly. During the Reporting Period, the Group was not aware of any violations of local laws and regulations relating to child and forced labour.

## 9 CREATING VALUES FOR THE ENVIRONMENT

### ENVIRONMENTAL MANAGEMENT

The Group is committed to protecting the environment. Our environmental management system of clothing fabric weaving business has granted the ISO 14001:2015 Environmental Management System Certification. We also have done our best to minimize the negative impacts on the environment in the daily operation. During the Reporting Period, we were not aware that there was any litigation or complaint on violating the “Environmental Protection Law of the PRC” (《中華人民共和國環境保護法》) and other relevant laws and regulations in respect of the environment against the Group which has material impact on the Group.

#### 9.1 Emission Management

Our business operations mainly focus on the headquarter office and the production plant. The operations involve indirect greenhouse gas emissions resulting from the consumption of purchased electricity and direct greenhouse gas emissions and air emissions from our own vehicles and gas furnaces of the canteens. The main sources of waste are domestic waste and the batt of the workshop. We actively seek solutions to control such emissions. If any excessive emissions are found, we will immediately request the heads of the relevant departments to follow up and fill in the “Report on Needed Corrective and Preventive Measures” (《糾正/預防措施報告》), to facilitate follow-up on the progress of improvements and to prevent recurrence of such issues.

##### 9.1.1 Air Pollutants

There are no air emissions directly generated during our production, so our main greenhouse gas emissions come from the use of purchased electricity. The commercial private cars and the use of fuel gas in the canteens will directly generate air pollutants and greenhouse gas emissions. We will check the commercial private cars and the gas emission system of the canteens on a regular basis to ensure that the emissions and emission concentrations comply with the relevant standards of the “Law of the PRC on Prevention and Control of Atmospheric Pollution” (《中華人民共和國水污染防治法》).

KPI	Unit	2020	2019	2018
Nitrogen oxides (NOx)	kg	41.94	143.93	140.36
Sulfur oxides (SOx)	kg	0.12	0.34	0.35
Particulate matter (PM)	kg	0.30	0.71	0.73
Total emissions (Scope 1 and 2)	tonnes CO <sub>2</sub> -e	13,411.10	19,084.60	17,766.47
Scope 1	tonnes CO <sub>2</sub> -e	18.19	27.38	31.90
Scope 2	tonnes CO <sub>2</sub> -e	13,393.60	19,060.56	17,737.46
Removal (tree planting) (Scope 1)	tonnes CO <sub>2</sub> -e	0.69	3.34	2.90
Intensity (calculated per thousand meters of fabrics)	tonnes CO <sub>2</sub> -e	1.60	1.27	0.99

## 9.2 Energy Use Management

Our main use of energy includes the power consumption of factories and offices, the unleaded petrol that is used by private cars and the liquefied petroleum gas (“LPG”) used by the canteens.

We proactively implement relevant energy conservation measures according to the “Law of the PRC on Regenerable Energy Conservation” (《中華人民共和國可再生節約能源法》), including:

- Encourage employees to turn off idle machinery, electric appliance, lights and office equipments;
- Set strict restrictions and rules on the use of air conditioners. It is generally not allowed to switch on the air conditioner when the temperature is below 28°C.

KPI	Unit	2020	2019	2018
Total energy consumption	MWh	<b>16,717.29</b>	27,201.61	25,336.46
Purchased electricity	MWh	<b>16,646.28</b>	27,093.90	25,213.16
Unleaded petrol	MWh	<b>22.77</b>	19.84	35.13
LPG	MWh	<b>37.91</b>	57.76	58.07
Diesel oil	MWh	<b>10.33</b>	30.10	30.10
Intensity (calculated per thousand meters of fabrics)	MWh	<b>1.99</b>	1.82	1.42

## 9.3 Noise Management

We adopt appropriate sound control measures to reduce the noise generated during the operation of the equipments in the plant with reference to the “Law of the PRC on Prevention and Control of Pollution From Environmental Noise” (《中華人民共和國環境噪聲污染防治法》). Our main source of noise is the mechanical and power noise generated by the machines during percussion. The production department will strengthen the daily care and maintenance of noisy equipment such as rapier, jet loom and air compressor in accordance with the “Manufacturing Equipment Management System” (《生產設備管理制度》) and “Noise Emission Control Regulations” (《噪聲排放控制規程》) and actively consider and prioritise less noisy equipment when changing production machines, or install noise eliminator and soundproof devices for those equipment that may generate large noise and use sound-absorbing and sound-insulating materials and technical measures for workshops, to ensure that the noise emission meets the requirements of the Class III standard of the “Environmental Noise Standard for Industrial Enterprises at the Boundary of the Factory” (《工業企業廠界環境噪聲標準》) (GB12348-2008).

## 9.4 Water Resource Management

As the Group has outsourced fabric dyeing processes to third party dyeing factories for handling, therefore, our production process will not involve the use of water or produce industrial wastewater. The water resources of the Group are mainly used for domestic water. During the Reporting Period, we purchased water from the municipal water supply institutions and we had no difficulty in sourcing water. The sewage discharge mainly comes from canteens, offices, factories and staff dormitories. We consistently comply with the “Law of the PRC on the Prevention and Control of Water Pollution” (《中華人民共和國水污染防治法》) and the “Regulations on the Prevention and Control of Water Pollution in Zhejiang Province” (《浙江省水污染防治條例》), and wastewater will be collected in a unified manner and sent to the government sewage pipe network for centralised treatment through a designated discharge port, so it will not have impact on the environment. We encourage the staff to cherish water and turn off the taps after use to avoid wasting water resources.

KPI	Unit	2020	2019	2018
Total water consumption	m <sup>3</sup>	81,567.00	89,659.00	84,906.00
Intensity (calculated thousand meters of fabrics)	m <sup>3</sup>	9.73	5.99	4.75

## 9.5 Packaging Material Management

The major packaging materials used by us include paper tubes, woven bags and thin plastic films. We choose the simplest packaging as far as possible and minimize the use of product packaging materials to reduce the consumption of natural resources.

KPI	Unit	2020	2019	2018
Total consumption of packaging	tonnes	27.74	68.50	64.43
Paper	tonnes	25.00	64.00	61.00
Plastics	tonnes	2.74	4.50	3.43
Intensity (calculated per thousand meters of fabrics)	kg	3.31	4.58	3.61

## 9.6 Waste Management

The solid waste generated by the Group mainly includes batt produced in the textile production process and general domestic waste produced in offices and dormitories. We will collect all the batt and domestic garbage in a centralised manner, which will then be collected and processed by the municipal government department. During the Reporting Period, we had no record of handling hazardous waste. If such waste needs to be handled, we will maintain it in a specially set storage area and arrange the qualified recyclers to handle it to prevent pollution and safety issues. During the Reporting Period, we have complied with the “Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste” (《中華人民共和國固體廢物污染環境防治法》) and the “Regulations on the Prevention and Control of Environmental Pollution by Solid Waste in Zhejiang Province” (《浙江省固體廢物污染環境防治條例》), and have not been aware of any material non-compliance with the relevant laws and regulations.

We proactively implement waste reduction measures, including:

- Encourage the use of e-mail, information systems, USB flash drives and other electronic tools for internal and external communication to reduce paper consumption;
- Use double-sided printing or photocopying as much as possible;
- Encourage employees to use re-useable cups and cutlery instead of disposable tableware;
- Encourage employees to use both sides of paper;
- Encourage employees to reuse stationery, e.g. used envelopes and document folders; and
- Carry out household waste sorting to effectively distinguish dry, wet and industrial waste.

KPI	Unit	2020	2019	2018
Total volume of non-hazardous waste generated and disposed	tonnes	255.00	110.00	108.00
Intensity (calculated per thousand meters of fabrics)	kg	30.41	7.35	6.05

10 CREATING VALUES FOR THE INDUSTRY

As a responsible enterprise, the Group regards the fulfillment of social responsibility as the basis for long-term success, and we are actively building sustainable communities to bring benefits to the people in the region where we operate. We are committed to providing employment opportunities for local people and promoting regional economic development. We also support and encourage employees to participate in community voluntary activities, care for those in need in the society, and assist the communities to create more value and spread positive energy. In addition, the Group actively participates in industry trade fairs to promote the development of the industry. Despite the decrease in participation in fabric exhibitions in other countries due to the impact of the pandemic during the year, the Group actively participated in local exhibitions in the PRC, including “China International Textiles, Fabrics and Accessories Exhibition” (中國國際紡織品博覽會) in Shanghai and “Keqiao Textile Expo (Autumn)” (柯橋秋季博覽會) in Shaoxing.



China International Textiles, Fabrics and Accessories Exhibition, Shanghai China (中國上海國際紡織品博覽會)



Keqiao Textile Expo (Autumn), Shaoxing China (中國紹興柯橋秋季博覽會)

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By Order of the Board  
**ZHEJIANG YONGAN RONGTONG HOLDINGS CO., LTD.\***  
**Wang Hengzhuang**  
*Chairman*

Zhejiang, the PRC, 31 May 2021

*As at the date of this document, the executive Directors are Mr. Wang Hengzhuang (Chairman), Ms. He Lianfeng (Chief Executive Officer) and Mr. Hu Hua Jun; the non-executive Director is Mr. Ma Jinsong (Deputy Chairman) and the independent non-executive Directors are Mr. Leng Peng, Mr. Zhu Weizhou and Ms. Wu Yuejuan.*