



瑞聲科技控股有限公司
AAC Technologies Holdings Inc.

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2018

Sustainability Report
2022

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Message to Stakeholders

“We are committed to creating a better sensory experience for the world so as to create diversified values and become a global leader in sensory technology.”

Dear Stakeholders,

2022 was a pivotal year for AAC Technologies, notwithstanding the persistent challenges brought on by the pandemic, we continued to place emphasis on safeguarding the interests of our various stakeholders. Our journey in 2022 began with the affirmation of our corporate mission, vision and core values and came to a celebratory end with the launch of our refreshed website and logo, embodying our recognition of the constantly evolving sensory technologies, emphasizing our mission to creating a better sensory experience for the world and reflecting our strong will to weather through challenges that the future presents whilst celebrating our past accomplishments.

Against the backdrop of a changing environment, reinforcing our business resilience and agility by expediting the digitalisation and automation processes of operations, continuously implementing large-scale conventional energy-saving projects and attracting and retaining top talents are vital to the sustainable development of AAC Technologies. These business strategies are in place to ensure the stability of the business and dampen potential uncertainties caused by geopolitical tensions, tighter trade controls and changing regulatory requirements. At the same time, we proactively address and manage said potential uncertainties. To mitigate potential impacts from geopolitical events, the Group actively manages its procurement channels, operation and production. To effectively manage trade control, the Group has implemented the trade control compliance management system and has set up a trade compliance committee for the overall management of the Group's trade compliance activities initiatives. A new Trade Compliance Department has also been established to coordinate with and support other departments on trade compliance matters. Furthermore, the Group's dedication to developing proprietary innovative technologies should help to continue to provide its customers with best-suited solutions and mitigate some of the adverse business impact of the trade friction.

Our Commitment to Operational Excellence

To become a global leader in technology innovation and develop sustainable strategies, we have integrated R&D around the world with a wide manufacturing base and established trust and recognition with our customers and in the industry. We differentiate ourselves from our peers by combining our diversified values with our talent, agile collaboration, as well as our technical expertise. This allows us to shape AAC Technologies as a change agent by bringing in the latest technologies and innovative solutions to our customers and assisting them to embark on their journey to achieve operational excellence. Our website, as well as our corporate logo have been revamped in reinforcing our communication of our commitment to operational excellence and our mission in offering a top-notch sensory experience.

Our Dedication to Talents

Operational excellence could not be achieved without the Group's essential element – employees. Although there was a material decrease in total workforce during the year, as a result of a combination of uncertain market situation due to pandemic and improvement in employees competencies and advanced automation production methodologies, we are committed to safeguarding the holistic well-being of employees, which is important to retaining key employees and attracting new talents.

In 2022, the Group introduced a Workforce Optimisation Programme to recruit 200 to 300 top talents across production lines and business units to support the development of new products. At the same time, business units and functional departments underwent various process improvements to improve team performance and operational efficiency. A new Talent Incentive and Development Framework was also implemented to clearly define rewards and incentives for employees. Each employee category has its own method of performance evaluation and incentive payment scheme. A clear incentive framework helps to encourage employees for their exceptional work and improves productivity and employee retention. Furthermore, a new collaboration platform, based on “Lark”, was introduced to support human resources and talent management. Over 22,600 employees were served by this new platform. This platform provides built-in chatbot and knowledge centre that free up employees’ time so they can handle more complex tasks, while also providing an alternative for more convenient and timely response to employees’ questions.

Effort and Innovation in Sustainable Development

As part of our effort to align with China’s national carbon neutrality goal on the mitigation of climate change, we continue to adopt a two-pronged approach, and have made great strides, in reducing total energy consumption and increasing renewable energy uptake. In particular, three new solar photovoltaic power (“PV”) plants were installed at our Nanning and Changzhou plants in 2022. All our solar PV plants have together generated over 20 million kWh of renewable energy in 2022, with an increase of more than 20% when compared to 2021.

In the area of improving waste management, more than RMB19 million were invested in purchasing wastewater treatment facilities at our plants in Kunshan and our new factory in Yangzhou. Technologies play a significant role in helping us achieve long-term ESG values for a better future. In 2022, with the implementation of the intelligent energy management system at some major plants, the Group was able to better analyse, control and optimise energy usage at production lines. We plan on expanding said system implementation to cover other plants in the near future.

In 2022, the Board approved the Climate Change Policy, which provides direction to the Group to drive sustainability improvements and better support our commitment to integrating climate-related considerations into our sustainability approach. The Board and the Sustainability Working Group will continue to work closely to ensure that the Group’s comprehensive action plans and environmental targets are regularly reviewed and effectively implemented.

30 Years of Determination

In 2023, AAC Technologies will celebrate its 30th anniversary. Looking forward, we are determined to deliver on our sustainability action plans and further enhance our sustainability performance. We will continue to show our determination in our mission to create a better sensory experience for the world and our perseverance in our vision to create diversified values and become a global leader in sensory technology.

In everything we do, we try our best to keep our stakeholders’ expectations in mind. We are extremely thankful to our employees, the management and our Board of Directors for their tireless effort, guidance, and leadership in upholding our core values. We are also grateful to our customers, suppliers, business partners, and other stakeholders worldwide for their trust and unwavering support.

Benjamin Zhengmin Pan

Chief Executive Officer

Mok Joe Kuen Richard

Managing Director

23 March 2023

About this Report

This is the tenth stand-alone annual sustainability report published by AAC Technologies Holdings Inc. (hereafter referred to as “AAC Technologies” or the “Company”, together with its subsidiaries, the “Group”), aiming to disclose the Group’s performance on environmental, social and governance (“ESG”) aspects, especially those that have a significant impact on the long-term success of the Group.

Reporting Frameworks

This report has been prepared with reference to the Global Reporting Initiative Sustainability Reporting Standards (“GRI Standards”) and is in compliance with the ESG Reporting Guide (“ESG Reporting Guide”) set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX”). For information relating to the Group’s strategy and governance practices, please refer to our 2022 Annual Report.

The Group’s sustainability management approach, where applicable, aligns with the relevant United Nations Sustainable Development Goals (“SDGs”) and the 10 principles of the United Nations Global Compact. The report also draws on the International Integrated Reporting Framework of the International Integrated Reporting Council (“IIRC”).

Reporting Boundary

The environmental data boundary is selected by taking into consideration production facilities with fixed assets exceeding RMB1 million, covering business operations of the Group located in Changzhou, Kunshan, Maanshan, Nanning, Shenzhen, Shuyang, Suzhou and Vietnam¹, unless otherwise stated. Environmental data of the production facility in Chongqing, Kunshan and Yangzhou are newly included in this year’s sustainability report. The remaining production facilities covered in this year’s reporting scope are consistent with that of the previous year. The social data in the report covers the entire Group. No significant restatements of data were made during the year.

¹ Due to variations in legal requirements across regions where the Group operates, certain quantitative indicators have not yet been used for reporting the ESG performance of some of our subsidiaries. The Group will continue to work diligently to ensure that these indicators are included in a single set of unified and standardised statistics in our future sustainability reports.

Reporting Principles

We have followed the reporting principles as recommended by GRI and as set out in the ESG Reporting Guide to define the report content and ensure that the quality of information presented in this report, including:

Balance

The information in the report is presented in a format that allows users to see positive and negative trends in performance on a year-on-year basis.

Consistency

Any significant variation between reporting periods in the list of material topics, length of the reporting period, or information covered in the report can be identified and explained.

Materiality

In defining material topics, the Group has taken into account the interests and expectations of stakeholders specifically invested in the organisation, such as shareholders, customers, and employees.

Quantitative

Data presented in this report have been examined and verified. Please refer to the Performance Data Summary for standards and methodologies used for calculation of indicators².

Report Period

The report covers the period from 1 January 2022 to 31 December 2022.

External Assurance

Since 2017, Hong Kong Quality Assurance Agency (“HKQAA”) has provided independent external assurance for the disclosures made in this report. Please refer to page 83 for the verification statement.

² The information and data collection and verification are currently done by various departments including investors relations, Corporate Social Responsibility (“CSR”) and internal audit. We have established an internal platform for summarising data and information and regular reviews of the data. Nevertheless, we recognise the potential shortcomings of our reporting process and strive to enhance our work on disclosure, including 1) identifying appropriate indicators for deriving intensity of environmental data, replacing the revenue indicator which is easily influenced by product price and 2) attempting to identify the unit of measurement for packaging materials to allow easier comparison.

Our Sustainability and Corporate Governance Policies

We believe that robust and well-structured policies are the foundation of good sustainability practices. At AAC Technologies, we have established and made available our key sustainability and corporate governance policies to our stakeholders and the public by publishing them on our corporate website or through the hyperlinks below.

Our Sustainability and Corporate Governance Policies



Anti-Fraud
and Anti-
Bribery Policy



Board Diversity
Policy



Code of
Conduct



Corporate
Disclosure
Policy



Climate
Change Policy



Environmental
Policy



Labour
Policy



Procedures for a
Shareholder to
propose a person
for election as a
Director



Sustainability
Policy



Shareholders
Communication
Policy



Whistleblowing
Policy

Feedback

We welcome your thoughts and feedback on this report. Please address any queries and comments to our investor relations department at aac2018@aactechnologies.com. This report is published in English and Chinese. In case of any conflicts between the two versions, the English version shall prevail. In an effort to conserve resources, we do not publish hard copies of this report. PDF version is available on HKEX's website (under section "HKEX News") and on our website under the section "Sustainable development" at <http://www.aactechnologies.com>.

About Us

AAC Technologies (HKSE: 2018) is a leading provider of sensory experience solutions with the goal of building the future of interactive sensory technologies. Through continuous innovation and global presence, we have established long-term strategic partnerships with global smart device clients. We have strong capabilities in Acoustics, Optics, Haptics, Sensor and Semiconductor, and Precision Manufacturing based on decades of industry experience.

Corporate Mission, Vision and Core Values

As part of our corporate mission, we strive to create better sensory experiences for the world, while we envision becoming a global leader in the field of sensory technology with a broad solution portfolio. While the global economy gradually recovers from the pandemic, geopolitical tensions persist and impose unpredictable impacts on the global market. The Group continues to adapt to changing market conditions and meet customer needs by focusing on technical innovation and providing high-performance, superior products to customers with differentiating user experiences. In addition, we strive hard to achieve a balance of economic performance, environmental stewardship and corporate social responsibility that extends beyond our business operations.



- ### Mission

Create a better sensory experience for the world
- ### Vision

Create diversified values and become a global leader in sensory technology
- ### Core Values

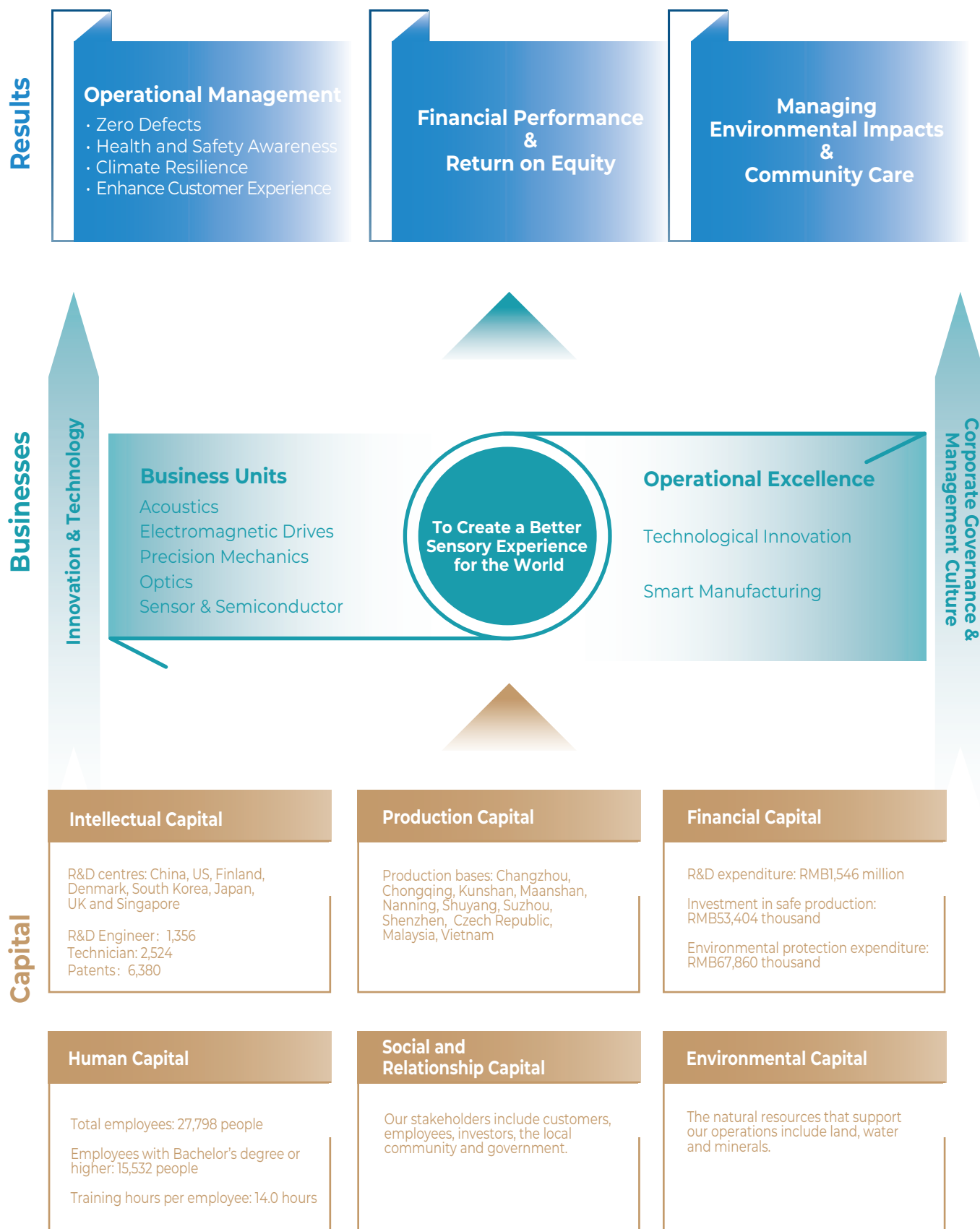
 -  **Customer Experience**
 -  **Winning with Talent**
 -  **Innovation Focused**
 -  **Agile Collaboration**
 -  **Professional Spirit**

Research, Development and Innovation

Technological advancement has always been one of our core strategies, with no compromises. Since the Company's inception, we have firmly insisted on research and development as a path to go far in the highly competitive market, allowing our products to thrive through technological innovation.

Currently, our 18 R&D centres worldwide are home to over 3,800 R&D staff and technicians, who we believe are our backbone for improving product performance with technology and leading corporate advancement through innovation.

Our Operation Model



Sustainability at AAC

Our Sustainability Highlights

Workforce



62:38

Male to female ratio

55.1%

With Degree or higher

14.0

Average training hours per employee

Health and Safety



2.53

↓ **9.3%**

Work-related injuries per 1,000 workers

213,023

↑ **68.9%**

Safety training hours

104,651

↑ **24.4%**

Total person-time safety training

Environment



20.0 million kWh

↑ **22.0%**

Generated renewable energy

0.29 tCO₂e

per ten thousand RMB revenue

↓ **30.9%**

Greenhouse gas ("GHG") intensity

532 tonnes

per million RMB revenue

↓ **25.2%**

Water consumption intensity

Operations



6,380

↓ **11.7%**

Patents

506

↑ **63.2%**

Suppliers

100%

Conflict Mineral-free

Key Awards & Recognitions



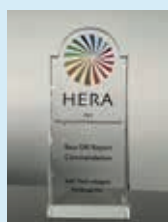
Forbes World's Top Female Friendly Companies 2022

Forbes



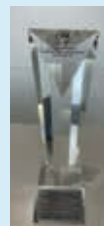
Certificate of Excellence in Environmental, Social and Governance Reporting

Hong Kong Management Association



Commendation Awards in Best GRI Report

Hong Kong ESG Reporting Awards (HERA) 2022



Corporate Governance Award – H-share Companies and Other Mainland Enterprises Category

Best Corporate Governance and ESG Awards 2022



Sustainable Corporate (Environmental) – Outstanding Awards

2022 Standard Chartered Corporate Achievement Awards



Low Risk 17.3

Sustainalytics



A

MSCI ESG Ratings



Climate Change - B- Water Security - C

CDP



3.3

FTSE4Good

Sustainability Governance

Board Oversight

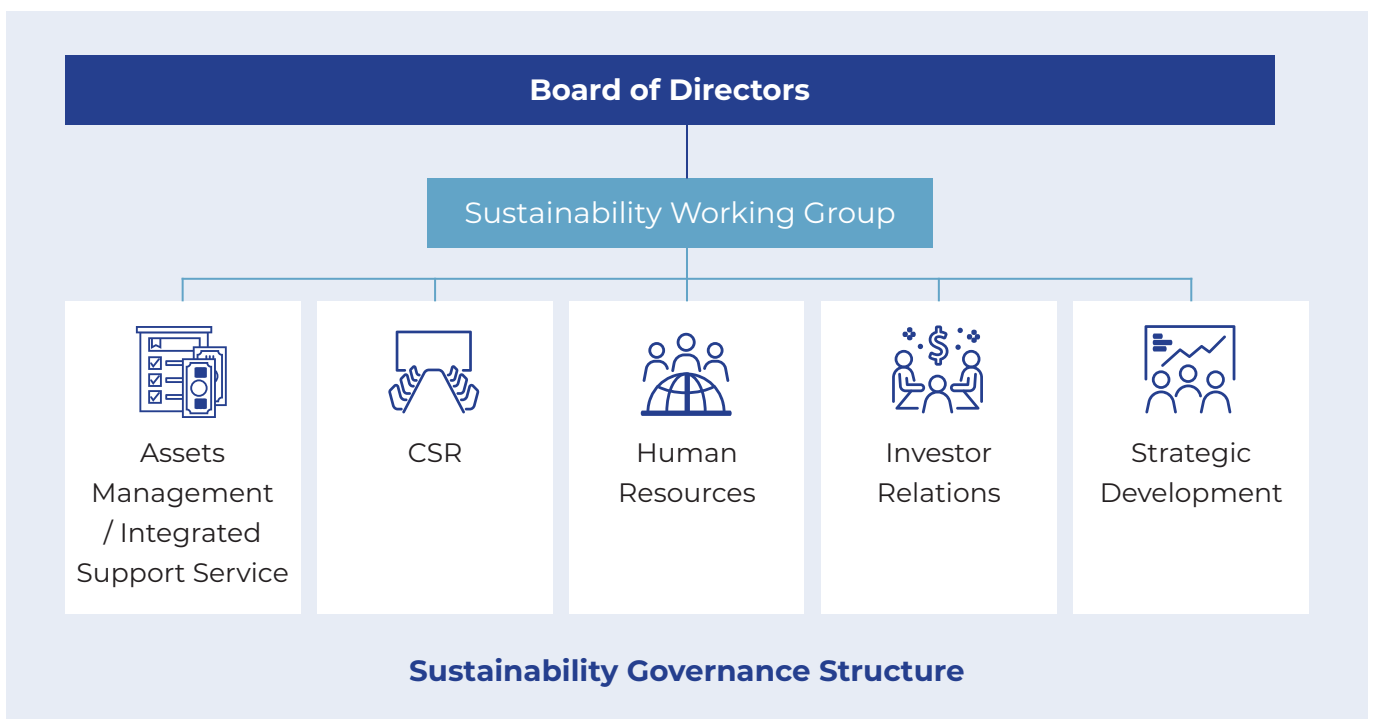
A robust governance structure is crucial to ensuring the sustainability development of the Group's business. The board of directors of the Company (the "Board") has overall responsibility for AAC Technologies' ESG issues. Led by the Chief Executive Officer ("CEO") and the Executive Director, the Board oversees the execution of the Group's sustainability strategy as part of supervision of business strategy and risk management, ensuring that the Group responds effectively to market developments and stakeholders' expectations.

During the year, an ESG training session was arranged and participated by members of the Board on the development of a new global baseline of sustainability disclosures issued by the International Sustainability Standards Board (ISSB), which is expected to be published in mid-2023.

The Board acknowledges its responsibility for ensuring the integrity of this sustainability report. To the best of its knowledge, the report adheres to the principles of materiality, quantitative, balance and consistency. The report was reviewed and approved by the Board on 23 March 2023.

Sustainability Working Group

The Sustainability Working Group ("SWG"), chaired by a Board member, comprises members of the senior management and executives from different functions across the organisation. According to the board-approved and publicly available terms of reference of the SWG, the SWG meets no less than twice a year and the discussion items include reviewing the Group's sustainability strategies and material issues, managing corresponding sustainability risks and opportunities, and monitoring the effectiveness of existing initiatives and the progress of ESG performance in meeting targets. The SWG reports relevant sustainability matters to the Board biannually and where appropriate.



Materiality Assessment

A thorough understanding of sustainability-related issues that are material to the Group has a critical reference value to AAC Technologies' sustainability planning, reporting and performance. We engage in regular dialogues with different stakeholder groups including regulators, government authorities, investors, suppliers, customers and employees to identify relevant sustainability issues that are material to the Group or the interests and expectations of our stakeholders. The content of the report draws upon the outcomes of the stakeholder engagement and materiality assessment.

1

Identification



Identify a pool of environmental, social and economic topics

2

Prioritisation



Prioritise material issues based on the impacts and concerns of stakeholders through interviews and/or discussions

3

Validation



The Board validates and approves the results

4

Review



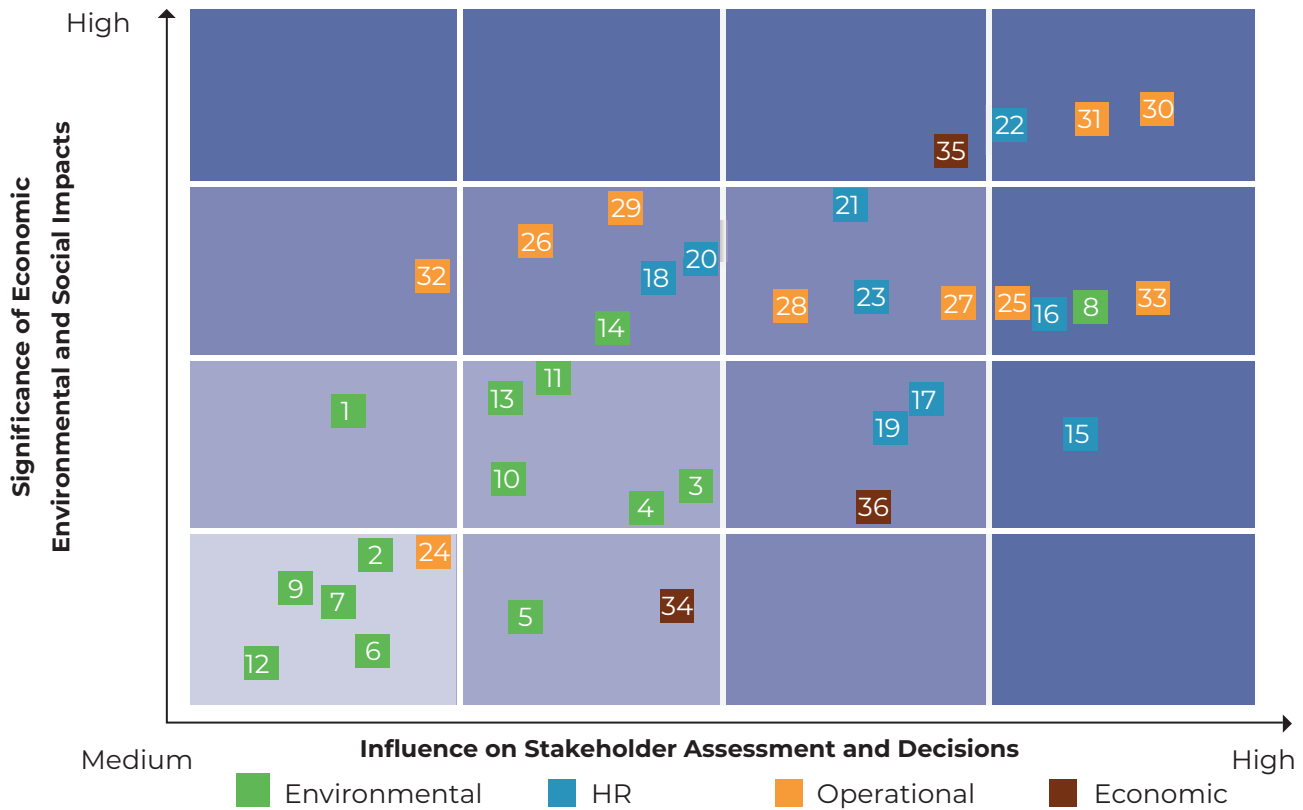
Ongoing review to identify gaps for improvement

Our Approach

The Group's ESG materiality assessment, supported by an independent professional consultant, is conducted on a biennial basis. Nine ESG topics were identified as highly material in the latest complete assessment.

Based on our assessment, we have renamed employee communication "Employee Engagement and Well-Being" to align with the industry peers' focus on employee engagement and well-being. This also echoes the Group's growing effort to enhance its human resources ("HR") collaboration platform, canteen operations, and other employee welfare measures. To ensure the identified material topics continue to be of relevance to the Group in 2022, the results of the assessment were reviewed and validated by the SWG, and presented to and approved by the Board on 23 March 2023.


The outcome of the materiality assessment is reflected in the following materiality matrix, showing the impact of each issue on the Group's operations and its internal and external stakeholders. Topics located at Level I are identified as highly material.










Level I	Level II	Level III	Level IV
8 Environmental compliance	14 Expenditure on environmental protection	1 Energy reduction and renewable energy	2 Water consumption
15 Talent management and retention	17 Training and development	3 Raw materials consumption	6 Air emission
16 Occupational safety and health	18 Protecting labour rights	4 Waste management	7 Wastewater discharge
22 Child labour and forced labour prevention	19 Employee engagement and well-being	5 Greenhouse gases emission	9 Ecological conservation
25 Social and economic compliance	20 Anti-discrimination	10 Green products management	12 Climate change risks management
30 Product quality management	21 Diversity and equal opportunity	11 Clean production and product life cycle assessment	24 Community relations
31 Customer satisfaction	23 Human rights protection	13 Green procurement	
33 Innovation and intellectual property rights	26 Production health and safety	34 Provision of jobs and procurement locally	
35 Anti-corruption	27 Data security and customer privacy management		
	28 Suppliers' environmental and social performance		
	29 Product sales and labelling		
	32 Conflict minerals management		
	36 Anti-competitive behaviour management		





Mapping Our Actions to SDGs

AAC Technologies acknowledges and supports the SDGs, a framework to build a better world for the people and the planet by 2030 and are designed to be applied by governments and organisations worldwide. An analysis of the Group's value chain was also conducted to understand the positive and negative impacts that the Group could contribute to creating through its actions. The following four pillars provide a detailed picture of how AAC Technologie's actions support the specific SDGs and targets.

SDGs Targets	Material Topics	Risk/opportunities	2022 Progress
1. Build a Competent and Future-proof Workforce			
 <p>Target 8.2 – Achieve higher levels of productivity through technological upgrades and innovation</p> <p>Target 8.6 – Promote youth employment</p> <p>Target 8.7 – Take immediate and effective measures to eradicate forced labour and end child labour in all its forms</p> <p>Target 8.8 – Protect labour rights and promote safe and secure working environments for all workers</p>	<p>15 Talent management and retention</p> <p>16 Occupational safety and health</p>	<ul style="list-style-type: none"> • Rapid responses to rapidly changing industry and labour market trends is often difficult • Through attracting and retaining talent, particularly among the younger generation, as well as leveraging the current employees, Group's operations and efficiency are enhanced 	<ul style="list-style-type: none"> • Refined online learning platform with 402 courses available • Launched the employee collaboration platform • Collaborated with over 50 higher education institutions under the university-enterprise cooperation • Passed all customer CSR audits during the year • Our investment in safe production was RMB53.4 million • 4,767 employees participated in annual occupational health checkups

SDGs Targets	Material Topics	Risk/opportunities	2022 Progress
2. Investing in Environmental Impact Mitigation			
<div style="display: flex; flex-direction: column; gap: 10px;"> <div data-bbox="113 304 209 405">  </div> <div data-bbox="228 304 456 633"> <p>Target 6.3 – Improve water quality by reducing pollution</p> <p>Target 6.4 – Increase water-use efficiency</p> </div> <div data-bbox="113 674 209 775">  </div> <div data-bbox="228 674 456 819"> <p>Target 7.3 – Improve in energy efficiency</p> </div> <div data-bbox="113 860 209 960">  </div> <div data-bbox="228 860 456 1171"> <p>Target 12.5 – Reduce waste generation through prevention, reduction, recycling and reuse</p> </div> </div>	<div style="display: flex; flex-direction: column; gap: 10px;"> <div data-bbox="469 304 724 376"> <p>8 Environmental compliance</p> </div> <div data-bbox="469 416 724 524"> <p>14 Expenditure on environmental protection</p> </div> </div>	<ul style="list-style-type: none"> • With the increase in regulatory scrutiny and inspection, a prompt response is necessary to mitigate the compliance risks • Exploration of new technologies adds to compliance cost but enhances operations efficiency and environmental management 	<ul style="list-style-type: none"> • Close monitoring of the implementation of the Water Recycling Project and the Clean Water Programme • Continued to install water-saving equipment in toilets • Provided training to employees on water saving • Air conditioning and air compressor energy-saving retrofit • Built additional wastewater treatment facilities and air emission treat towers • Installed Anode Waste Steam Heating Electromechanical facility • Energy efficiency retrofitting of buildings • Close monitoring of the implementation of the Zero Waste to Landfill project • Enhanced hazardous waste and non-hazardous waste classification and recycling • Continued to expand our sludge reduction facilities • Reused cutting fluid, organic solvents, plastic hoses and trays

SDGs Targets	Material Topics	Risk/opportunities	2022 Progress
2. Investing in Environmental Impact Mitigation			
 <p>Target 13.1 – Strengthen resilience and adaptive capacity to address climate-related hazards and natural disasters</p>			<ul style="list-style-type: none"> Commissioned solar PV plants with an estimated cumulative annual power generation capacity of over 20 million MWh Implemented natural disaster and emergency management plan
3. Innovating to Better Customer Experience			
 <p>Target 8.2 – Achieve higher levels of productivity through technological upgrades and innovation</p>	<p>30 Product quality management</p> <p>31 Customer satisfaction</p>	<ul style="list-style-type: none"> Fast response to clients' requests on product designs is required to counter the situation of shortened product cycles and increasing demand for customised products 	<ul style="list-style-type: none"> Promoted and developed big data along with automated technology Enhanced assembly lines using Manufacturing Execution Systems ("MES")
 <p>Target 9.5 – Enhance scientific research, upgrade technological capabilities</p>	<p>33 Innovation and intellectual property rights</p>	<ul style="list-style-type: none"> Continuous technical innovation provides a way to stay ahead of the competition in the market 	<ul style="list-style-type: none"> Upgraded the Quality Data Management ("QDM") System, allowing remote adjustment on production equipment Own and operate 18 R&D Centres
 <p>Target 12.4 – Achieve environmentally sound management of chemicals and all wastes throughout life cycles of products</p> <p>Target 12.7 – Promote public procurement practices that are sustainable</p>	<p>31 Customer satisfaction</p>		<ul style="list-style-type: none"> Conducted patent assessment on all patents Obtained 6,380 patents Patent Incentive Scheme in place Complied with laws and regulations regarding hazardous substances, including RoHS and REACH All materials procured are checked with reference to the Restricted Hazardous Substance List All suppliers are required to sign CSR Commitment Letter

SDGs Targets	Material Topics	Risk/opportunities	2022 Progress
3. Innovating to Better Customer Experience			
 <p>Target 16.1 – Reduce all forms of violence and related death rates everywhere</p>	<p>31 Customer satisfaction</p>		<ul style="list-style-type: none"> Required suppliers to establish management systems in accordance with ISO 14001 and ISO 9001 Maintained 100% conflict-free Minerals Organised 2022 Safety Month for employees
4. Be a Responsible and Reliable Enterprise			
 <p>Target 8.7 – Take immediate and effective measures to eradicate forced labour and end child labour in all its forms</p>	<p>25 Social and economic Compliance</p> <p>22 Child and forced labour prevention</p>	<ul style="list-style-type: none"> Building confidence with our stakeholders requires complete compliance and adherence to ethical standards. 	<ul style="list-style-type: none"> Regular risk assessments on compliance and labour issues Passed all customer CSR audits during the year
 <p>Target 12.4 – Achieve environmentally sound management of chemicals and all wastes throughout the life cycles</p>	<p>25 Social and economic compliance</p>		<ul style="list-style-type: none"> Updated the Hazardous Substance Management Regulation Established an Anti-Fraud and Anti-bribery Policy
 <p>Target 16.5 – Substantially reduce corruption and bribery</p>	<p>35 Anti-corruption</p>		<ul style="list-style-type: none"> Developing online training courses on business ethics for all employees, including directors

Ethics and Integrity

At AAC Technologies, we conduct business in strict compliance with principles of honesty, integrity and equality based on high ethical standards. We are dedicated to operating its business in a way that upholds the greatest levels of morality and integrity, working to adhere to relevant local, state, federal, and international regulations that are applicable to the Group's operations. To this end, AAC Technologies closely follows the ever-changing external environment by keeping abreast of the latest updates on relevant laws and regulations, including but not limited to anti-corruption laws, trade restrictions and patent laws.

We outline our anti-corruption, fraud, conflicts of interest, anti-discrimination, anti-competition and confidentiality initiatives in the Code of Conduct and Business Ethics Guidelines. These documents provide guiding principles for all employees to behave with integrity, impartiality and honesty. Employees are expected to apply these values and demonstrate a high degree of professionalism when discharging their duties in their day-to-day business activities. All forms of unethical business practices, including but not limited to bribery, extortion, fraud and money laundering, are strictly prohibited.

The Group Ethics Committee, spearheaded by the CEO, ensures the Code of Conduct and Business Ethics Guidelines are adopted across the Group. The governance structure of aspects related to business ethics is illustrated below.

Group Ethics Committee led by the CEO

Commitment and Policy	Risk Assessment	Control Measures
<ul style="list-style-type: none"> Business Ethics Guideline Code of Conduct 	<ul style="list-style-type: none"> We undertake risk assessments every quarter to analyse the impact and likelihood of various ethical hazards related to our business and to choose the appropriate counter measures 	<ul style="list-style-type: none"> We adopt control measures such as arranging targeted training programmes, and conducting background checks to avoid dishonest or fraudulent behaviour associated with close personal or family relationships

Business ethics ombudsman of each operating location is in charge of overseeing and documenting the application of the control measures.

Our Efforts in Anti-Fraud and Anti-Bribery

During the year, AAC Technologies established and adopted an Anti-Fraud and Anti-Bribery Policy to demonstrate the Group's commitment to upholding high standards of business integrity, honesty and transparency in its business dealings. The said policy a clear definition of fraud and bribery as well as detailed guidelines for conflict of interest, improper payments, kickbacks, and facility payments. Strict adherence to this policy is required of all employees.

In collaboration with a network of trustworthy companies, we are committed to avoiding corrupt practices with unethical business partners. In 2022, AAC Technologies joined and became a member of the China Enterprise Anti-Fraud Alliance (CEAFA), an alliance that helps companies develop anti-corruption framework and encourages sharing of relevant information amongst members in order to promote and support high standards of integrity, internal controls and anti-corruption behaviours.

Whistleblowing Mechanism

Employees and/or third parties with knowledge of misconducts, malpractice, or irregularities involving the Group are encouraged to report and escalate such incidents through the Group's whistleblowing channel. A comprehensive whistleblowing policy ("Whistleblowing Policy") is in place to facilitate reporting suspected fraudulent activity without fear of reprisals and ensure that the whistleblower reports are taken seriously.

AAC Technologies adheres to a safe custody approach to protect the privacy of the whistleblowers. Our Whistleblowing Policy also seeks to ensure that those who disclose in good faith through the whistleblowing process are protected against unfair dismissal, victimisation, or unjustified disciplinary action, even if the complaints are later shown to be unsubstantiated.

The Board has delegated the overall responsibility for administration implementation, monitoring and review of the Whistleblowing Policy to the Audit and Risk Committee and to report any severe incidents reported by Internal Audit Department to the Board. With the support of the Internal Audit Department, the Audit and Risk Committee will assess every report received and decide if a full investigation is necessary. All investigations are recorded with the final results reported to top management and relevant departments. In 2022, a total of 16 cases of internal reported cases were under investigation, mainly related to violations of regulations and disciplines.

During the year, the Group was not aware of any material non-compliance with relevant laws and regulations that would have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, and in relation, there were no concluded or ongoing legal cases regarding corrupt practices brought against the Group or its employees.

Ethical Training and Awareness

All employees including general staff and management are obliged to comply with the Code of Conduct, the Business Ethics Guidelines and other relevant internal policies or guidelines. Anti-corruption training is provided to all newcomers and relevant personnel stipulated by our customers to prevent unethical business behaviours and practices.

To further raise employees' awareness of anti-corruption and prevention measures, we are in the process of updating our business ethics and compliance training materials. Our new collaboration platform, Lark, will enable all new and existing employees to complete these ethical training courses anywhere and anytime.

The ethical responsibilities stated below are readily available to all employees (both general staff and management) to ensure that they uphold our principles of honesty, impartiality and fairness at all times.

General Staff	Management
<ul style="list-style-type: none"> • Avoid having conflict of interests: <ul style="list-style-type: none"> - Report relationship with business partners, including suppliers, employees to the Group - Employees shall not accept or claim any gratification • Anti-corruption behaviours: <ul style="list-style-type: none"> - Report and return monetary or non-monetary gifts received from external parties 	<ul style="list-style-type: none"> • Prevent anti-competitive behaviour: <ul style="list-style-type: none"> - Take cautious approach when conducting business in relation with competitors - Provide guidance when subordinates seek anti-corruption related advice • Strengthen employees' ethical awareness: <ul style="list-style-type: none"> - Provide regular training on business ethics to newcomers and staff - Ensure staff have signed the business ethics agreement at the beginning of each year - Encourage subordinates to report any suspicious corruption cases

Information Security and Privacy

Information security concerns not only our reputation but also the interests of stakeholders including employees, customers and business partners. The Group has made significant investments in data governance to ensure that its security architecture is robust and ready to respond to any breaches.

Management Approach

The Information Security Committee remains the driving force in the overall information security oversight. We review and revamp our information security policies annually to stay compatible with major changes happening in production and working conditions.

Strictly complying with the Cybersecurity Law of the PRC, the EU General Data Protection Regulation and other relevant laws of applicable jurisdictions, the Group has obtained ISO 27001 certification for its information security management system covering three departments (data centre, R&D and production) of business units at nine sites. All product lines including acoustics, optics and MEMS are covered.

We completed over 73 customer-oriented information security audits without any major defects discovered. We received satisfactory ratings from customers in this regard.

Internally, we have established Information Security and Confidentiality Management Rules to reduce the risk of sensitive information being misused and disseminated illegally. Specifically, the Group has implemented an information classification and protection mechanism to categorise data according to sensitivity before transmission and storage. We physically or logically segregate our IT environment into different security zones based on the functionalities of business units and confidential level of information involved. A secure pathway is also established through proper routing controls to ensure that efficient network isolation and secure access among different network regions are achieved. For customers, the privacy protection strictly adheres to their security requirements as we are aware that customer information must not face any leakage risk. For suppliers, the Confidentiality Agreement is required to sign in advance to clarify their data security obligations.

Risk Management

Risk assessment is fully integrated into the Group's data governance. The annual information security risk assessment supports the identification and management of any underlying hazards in AAC Technologies' information security system and information assets, which consist of hardware, software, and confidential data. Electronic assets, people assets, software assets, and service assets are the existing assets from which risks are recognised, with risk levels rated on relevance, susceptibility, and severity.

Information Security Risk Management

Identification

Identify information assets and security threats of the current information security system.

Assessment

Assess risk level of each risk according to vulnerability, severity and significance of the asset to the business.

Taking Actions

Draw action plans to address the issues that pose high risk to the Group. Mitigation methods include avoidance, transformation, reduction and acceptance.

Evaluation

Continuously monitor and evaluate the effectiveness of the remedial actions to maintain risks at the lowest level.

The risks are subsequently mitigated through strategies such as avoidance, transformation, reduction, and acceptance, depending on the risk degree. For serious risks, the information security department develops precise corrective measures within the specified time frame and provides the risk assessment's results to the information security committee.

Risk Prevention

One major challenge the information security team needs to deal with is the unknown viruses and the corresponding new vulnerabilities varying from year to year. To maintain data confidentiality and security, we keep up to date with the fixes for disclosed vulnerabilities, both domestically and internationally. We also actively work with industry experts and data technology vendors to safeguard data and information through comprehensive risk prevention and response management.

We work closely with service providers to ensure that Intrusion Prevention System ("IPS"), which includes firewalls and anti-malware software, is continually deployed to provide the greatest security possible. All network devices are updated regularly to the most upgraded version as provided by the manufacturer, and the existing configuration and critical files are backed up before the update.

To protect against potential malware attack, the system has an automated monitoring and alarm mechanism. On a daily basis, it reports the scope and dispersion of viral assaults to each endpoint, including office and production endpoints, as well as the particular building and floor where the intrusion occurred. We can respond to cyber-attacks more precisely and effectively, thanks to the closed-loop management system. Each of the Group's premises has an IT technical support engineer who is responsible for monitoring and improving the system if needed.

In the case of a cyberattack, emergency reaction measures are implemented. Throughout the year, we ran multiple emergency exercises to ensure that the systems and business processes could handle major events, such as firewall failure and network failure. The topology of our critical networks is designed in a way to ensure redundancy to avoid single-point failure and ensure business continuity.

Emergency Drills at Data Centres

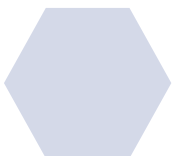
Two data centre emergency drills were conducted during the year. The purpose of these drills is to ensure that the information security system is safe from potential threats. Power outages, air conditioning system failures, and a fire exercise were all part of the drill. The infrastructure of the server room is capable of supporting normal operation of the IT equipment even during a power outage. All equipment, including fire-fighting appliances and pressurised chemicals, worked properly and responded quickly to the simulated emergency.

Internal Regulations and Training

Controlling internal information access is another important aspect of data security. We employ several procedures for managing authentication and authorisation of our systems, such as assigning access permissions to specific individuals and keeping a separate encrypted backup system. The systems deployed in the public net also adopts strong password policy and authentication verification methods, such as Multi-Factor Authentication (“MFA”). All third parties including suppliers, customers, and external auditors, are prohibited from accessing internal office network. In the event that a third-party employee must access the internal network, a series of strict application and screening process is needed, and a designated IT personnel will supervise the terminal operation behaviour of the third-party employee who accesses the internal networks.

When choosing service providers, we take safety into account. To ensure that the launch and procedures of all projects completely conform with our information security standards and clients' expectations, we prepared a list of safety control points and regulations for suppliers and the development team.

Information security training is a fundamental part of staff induction training, which is mainly conducted by the Production Departments. Training contents include regulatory requirements, information security strategy and management, regulations of the Group, personal information protection, etc. Employees working in special product lines and projects are offered specific training. Only employees who pass the examination after the training are permitted to participate in the specific special customer's project. To fortify employees' understanding and allow revisiting of training contents irrespective of time and location, certain information security training topics are available on the online training platform.



Operational Excellence



SDG Targets



Related Material Topics

- Customer satisfaction
- Product quality management
- Innovation and intellectual property rights
- Social and economic compliance



Number of patents
6,380



Number of suppliers
506



Conflict mineral-free
100%



Customer satisfaction
Achieve a score of 4.1 or above in all five categories

Enhancing Customer Experience

Maintaining long-term and positive customer relationships is of utmost importance to AAC Technologies. Therefore, we actively engage our clients through various channels as well as hold conferences and review sessions to learn the most updated customers' suggestions, queries and concerns.

AAC Technologies Innovation Summit 2022



This year, the AAC Technologies Innovation Summit 2022 took place in Shenzhen, instead of our long-standing tradition of holding technical seminars, in order to better present the blueprint of our future development and create a better sensory experience for the world. Our key stakeholders, such as our customers and partners, were invited to the summit to acquire first-hand experience with our breakthrough technologies and solutions in the consumer electronics and automotive markets.



We launched a “pre-sale communication with customers” programme to enhance customers' overall experience. The Marketing Department promoted the programme based on the positioning of our customers' products. By providing customers with in-depth technical information of our partners enabled us to improve their understanding of AAC Technologies' latest products and technologies. Several breakthrough products were jointly released to the market as a result of deep customer cooperation, garnering industry attention. Additionally, we were presented with the Best Delivery Award by Vivo and the Outstanding Project Award by Xiaomi at the 2nd Xiaomi & Supplier Joint Quality Improvement Competition.

Customer Engagement and Satisfaction

The Communication Management Procedures and Customer Satisfaction Management Procedures are in place for internal communications with customers. These procedures define the roles and responsibilities of the dedicated teams in the product line and provide guidance for customer engagement and enhancement of customer experience and satisfaction. In addition, we maintain a high level of openness with customers. Our clients have access to data in our QDM, which allows them to stay informed about the whole production process. In addition, we have dedicated teams in each product line to handle customer requests and monitor product returns and complaints in our day-to-day operations to ensure we respond promptly to customers' requests.

With reference to the Customer Satisfaction Management Procedures, five categories including price competitiveness, service quality, delivery capacity, product quality and technical skills are used to analyse customer satisfaction. A customer satisfaction analysis report and follow-up action plan are created based on the results of the five categories drawn through quarterly business reviews, daily visits, annual questionnaires, and other varied engagement channels. In response to the market's increasingly customised nature, the Group conducts weekly or monthly evaluations to stay on top of clients' demands and rectify any issues using the new management approach.

To deal with customers' complaints, we adhere to the Handling Customer Complaint Procedure. We aim at providing customers with a possible solution within five days. The complaints are categorised into four levels based on the severity of their effects on consumers and the product. Issues that require a production and delivery delay of more than three days are considered the most severe and are given top priority. A response team is formed to investigate the root causes of the issue, manage risk, and implement countermeasures to resolve the problem and prevent a recurrence. A report stating the cause, the analysis, and the solution to the complaint will be provided to customers. During the year, 816 customer complaints were recorded, all of them were resolved and handled according to the procedures. In the event of a defect relating to quality, we follow the Non-Conforming Product Control Procedure to investigate the problem and refer to Recall Product Management Procedure for guidelines on recalling the related products if necessary.



Innovation and Development

Smart Manufacturing and Sustainable Development

The development of Industry 4.0 technologies is paving the way for the digitalisation of manufacturing. Facing increasing market expectations, we strive to upgrade our production processes and promote smart manufacturing with all our strength. Over the years, we have invested in advanced technologies such as visual inspection systems and automated guided vehicles to build continuously flowing automatic production lines. We also integrate Enterprise Resource Planning (ERP), MES, and other digital systems to collect primary production data, facilitating preventive maintenance management and lean production.



Our MES system enables us to manage the quality of our employees and track their performance. It connects “4M2E” together, which are Machine, Men, Materials, Methods, Energy, and the Environment. The flexibility of magnetic drive flexible assembly lines enable quick changeover and stability of process flow which are among the highlights of one of the MES projects. Our goal is to realise automated, digital, and smart flexible manufacturing to satisfy customised demands. With production processes that are highly flexible, efficient, and cost-effective, we can do more to accomplish our sustainable development goals, make products traceable throughout the whole process from design to production to delivery, and effectively control end-to-end safety, environmental protection, and quality performance.

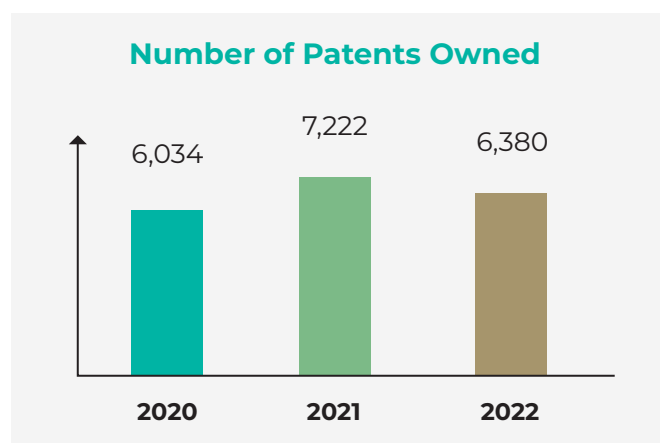


Patents Management

At AAC Technologies, we own and operate 18 R&D centres with 3,880 R&D engineers and technicians as at 31 December 2022.

The Group has a Patent Incentive Scheme in place to support our inventors and give them a bigger incentive for utility models, patent commercialisation, and other high-calibre inventions. Financial incentives will be awarded to inventors whose creations are licensed as patents or sold to third parties.

A set of rigorous assessment criteria is applied to every successful patent application to determine its distinctiveness and inventiveness. To maximise the value of our intellectual property budget and ensure the effective management of our patent portfolio, we conduct ongoing assessments in order to identify high-value ideas and quickly identify patents that are extremely competitive. Our assessment process considers industry trends, market development, legal issues, as well as the value of our current patents to maximise resources and manage patents strategically.



The Group held 6,380 patents as of 31 December 2022. We will continue to invest heavily in R&D in order to provide our customers with new innovative solutions and products.

Intellectual Property Rights

Respecting and defending others' and our intellectual property rights ("IPRs") is very important to us. Our Intellectual Property Department is in charge of resolving IPR-related issues and developing pertinent internal policies, methods, and procedures to oversee IPR management. To guarantee regulatory compliance, the said department periodically examines internal regulations and offers training to relevant workers.

The Group has an Intellectual Property Business Management Policy and Patent Management Policy in place to safeguard its intellectual property, which includes patents, trademarks, copyrights, etc. These policies ensure that the Group's intellectual properties are protected through proper planning, monitoring, evaluating, and risk assessment.

We regularly conduct internal audits of our innovations in accordance with our internal "Early Warning" procedure, which outlines the steps to take in order to identify and manage potential risks, to comply with relevant international and PRC laws and regulations relating to IPRs, in particular in areas of infringement. Our Intellectual Property Department collaborates with R&D and Marketing teams to support the decision-making process from design to manufacturing stage by closely monitoring intellectual property data in the market and modifying our product designs when necessary. We also engage third-party professionals for external audits in response to continuous changes in the fast-paced industry.

Anytime a dispute arises over a patent, the Head of Intellectual Property Rights, the Accounts Manager, and the patent owners will come together to form an emergency taskforce to handle the situation in accordance with the Intellectual Property Rights Contingency Plan.

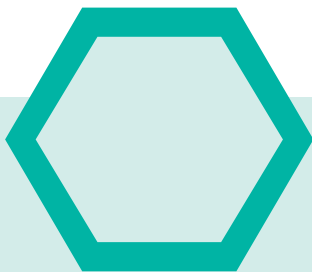
Enhancing our Technical Expertise

Workforce Optimisation Programme: Recruitment of Top Talents and Filling of Critical Vacancies

The Group introduced a workforce optimisation programme in 2022 to recruit 200 to 300 top talents across its production lines and business units to support the development of new products and fill critical vacancies.

As part of this programme, each business unit and functional department undergoes various process improvements to enhance their team performance and operational efficiency. In the revamped team structure, any critical positions or vacancies are highlighted with clear responsibilities as well as Key Performance Indicators (“KPIs”). Hiring elite talents should align with the Group's strategy and mission. Recruiting will begin as soon as the CEO approves the revamped team structure and KPIs for the critical position.

Furthermore, some divisions have upgraded their structure to adapt to a more agile and effective work requirement, vital measure includes integrating related job responsibilities and sorting out headcount. Key or senior positions are filled up by team members with exceptional abilities and talents.



Striving for Zero Defects

Quality Management System

To ensure that our product quality achieves the target of “zero defect”, a well-designed management system is essential. All production facilities have obtained ISO 9001:2015 certification for their quality management systems and IECQ QC 080000 accreditation for their finished goods. The Group has extended its quality management system to the production of device components. Components produced in Maanshan, Nanning and Shuyang have acquired ISO 9001:2015 certification, while the production plants in Shenzhen and Changzhou were certified with IATF 16949³. Our Changzhou GP laboratory received CNAS⁴ laboratory certification, demonstrating conformity with ISO/IEC 17025⁵.

Our quality management system is continually reviewed and updated to maintain its efficacy. The Group’s Internal Quality Audit Procedures, internal and external professional audits of the quality management system are conducted twice a year on a rolling basis to ensure efficient implementation of the system. The corresponding departments are requested to take remedial steps based on the auditor’s findings if the management system is not sufficiently practical or effective. During the year, the Group has updated its comprehensive Non-Conforming Product Control Procedure, not only further refining the product recall procedure and clarifying the time limit for handling non-conforming products, but also elevating the requirement for the product traceability cycle. The said procedure defines the steps to manage the quality of goods at each stage of manufacturing, from raw materials to after-sales.

During the year, the Group was not aware of any material non-compliance with relevant laws and regulations that would have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Achieving Quality Excellence

Our highly skilled workforce is the key to achieving zero defects and quality excellence. A Creative Proposal Policy is in place to reward employees for submitting technology proposals that contribute to zero defects. Each proposal is evaluated based on its rationality, application of technology and tools, benefits, application prospects, and demonstration value.

Reusing Reworked Parts in Making Windings and Magnetic Circuits

In the past, it was time-consuming and costly to create new magnetic circuits and windings. We were able to send back the automatic line-mandrels, sliding plate, and stopper pallets for rework after following our employee’s creative proposal. The cost of rework and savings achieved through the reuse of these parts were 10 times lower than replacement, and the man-hours required were significantly reduced from one month to seven days. Through this proposal, we are not only saving manufacturing costs, but also conserving energy and resources.

³ IATF 16949: 2016 Automotive Quality Management Systems.

⁴ CNAS refers to China National Accreditation Service for Conformity Assessment.

⁵ ISO/IEC 17025:2017 General Requirements for the Competence of Testing and Calibration Laboratories.

We continuously encourage and support our engineers to obtain Six Sigma certification in order to enhance their data analysis and creative thinking skills and introduce different techniques or tools so that they can identify recurring problems and issues that may affect product quality or operating efficiency. In 2022, 88 projects were completed as part of this certification programme. To improve employee quality awareness, the Group strives to foster an environment of operational excellence through the following activities:

- 

Promotion
Distribute quality culture brochures to all employees
- 

Communication
Monthly meeting for sharing best practices
- 

Motivation
Introduce a 'Likes Card' to recognise employees who spot problems early and provide solutions. It may be redeemed for presents
- 

Competition
Organise competitions, such as passing rate competition
- 

Target Setting
Set specific quality targets for each of the production activities
- 

Specialised Teams
Form working groups to focus on certain topics for improvement

Management of Abnormal Test Results

Supplier Quality Detection System	Internet of Things ("IoT")	Interception System	CNC Fool-proofing mechanism
An anomaly warning will be delivered through Short Message Service (SMS) if unqualified inbound material is detected. The review of supplier performance is connected to abnormality.	To maximise resource allocation by providing data support for the production management system.	To reduce labour costs by using robotic process automation (RPA) technologies on the manufacturing line. To improve traceability, testing data is maintained online.	Reaching a 100% pass rate by reducing the probability of faults.

Suppliers' Management

Suppliers are critical business partners for the Group, proper selection and management of suppliers will directly affect Group's product quality. The Group maintains an effective connection with suppliers through multiple channels in order to better communicate our expectations.

A formal Supplier Code of Conduct (the "Code") was established to set out the Group's expectations in areas of labour and human rights protection, health and safety, chemical management, and environmental protection with reference to a number of international principles, such as the Electronic Industry Code of Conduct, Ethical Trading Initiative and the Social Accountability 8000 International Standard. We also encourage our suppliers to regulate and monitor their suppliers (our second-tier suppliers) according to the Code.

In addition, all suppliers are required to submit a signed CSR Commitment Letter confirming compliance with the Code, adherence to requirements on labour and human rights protection, health and safety, chemical management, environmental protection and anti-corruption.

Suppliers Selection and Assessment

Suppliers are sourced based on the needs of business units and a series of assessments. New suppliers are subjected to rigorous pre-qualification process, which includes background due diligence, site audits and component certification, in accordance with requirements set out in the relevant Supplier Selection, Certification and Evaluation Management Procedures. Various departments, including the Sourcing Department, R&D Department, Supplier Quality Engineers ("SQEs"), Green Products ("GP") team, and others, collaborate and perform assessments to determine a supplier's competency in various areas. In addition to the pre-qualification process, detailed supplier assessment are performed on three key aspects, namely environmental, social and quality, with the assessment criteria listed below.

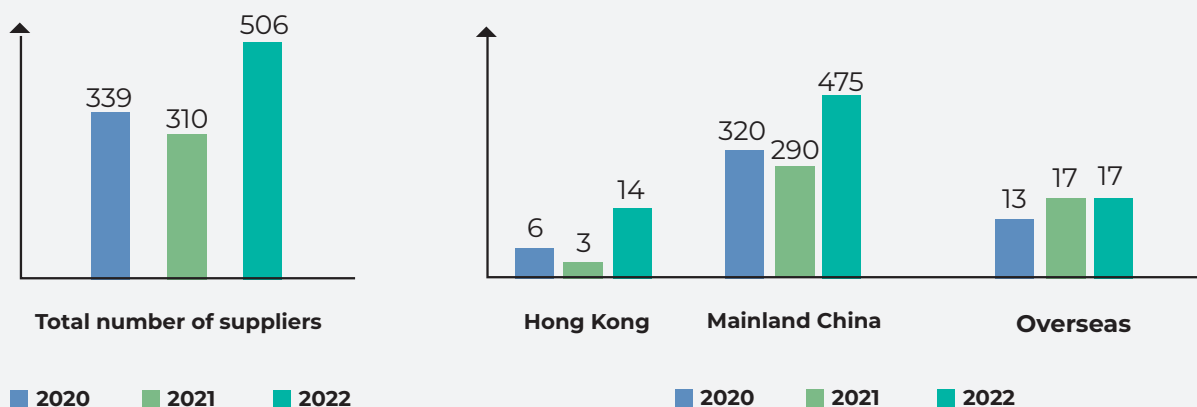
Quality	Environmental	Social
<ul style="list-style-type: none"> ISO 9001 Quality Management System⁶ Product quality Technical and processing ability Production capacity and equipment 	<ul style="list-style-type: none"> Environmental management system (aligned with ISO 4001 certification) Energy management Air emissions and waste management Chemical management (including VOC) Fire and emergency management 	<ul style="list-style-type: none"> Human rights Labour practices Health and safety Conflict minerals management

⁶ For automotive component suppliers, IATF 16949 certification is required, otherwise suppliers are required to provide corresponding plans to obtain the certification.

Suppliers who pass every stage of assessment are shortlisted as approved suppliers. In 2022, the Group had 506 suppliers in mainland China, Hong Kong and other areas of Asia. We evaluated 49 suppliers based on their social responsibility performance during the year.

We review our suppliers' performance and relationship on an ongoing basis through day-to-day management, yearly supplier audits and a comprehensive annual performance evaluation. Underperforming and expelled suppliers have to submit a written improvement report within one month and pass a quality audit to be restored as approved suppliers. Suppliers who have been barred from supplying are not permitted to reapply for a year, after which they must be recertified.

Total Number of Suppliers and its Geographical Distribution



Supplier Engagement

The Group has been striving hard to improve suppliers' capabilities through seminars, training sessions, supplier visits, in-person meetings, and audits, aiming to achieve win-win collaborations. As part of our continuous improvement process, we provide training to unqualified or underperforming suppliers after the supplier selection and assessment process and discuss the improvement plan jointly. A system is also in place to help suppliers to submit relevant documents, allowing for efficient information interchange between the Group and its suppliers.



Conflict Minerals

AAC Technologies is committed to responsible sourcing of its materials. Therefore, stringent conflict mineral management procedures are in place to ensure that all minerals procured from suppliers are conflict-free⁷. The following table shows our comprehensive approach to responsible minerals sourcing:

Management System	Identify, Assess and Manage Risks	Audit of Smelter and Refinery Due Diligence Practice
<p>We strictly comply with Regulation (EU) 2017/821, which imposes supply chain due diligence obligations on Union importers of tin, tantalum, tungsten, their ores, and gold originating from conflict-affected and high-risk areas.</p> <p>The Group’s Hazardous Substances Management Regulation prohibits the procurement of minerals from conflict areas such as Democratic Republic of Congo and it is overseen and executed by the GP team.</p>	<p>We actively work on improving the traceability of materials we procure. During the supplier selection process, we require all suppliers to complete the Conflict Minerals Reporting Template (“CMRT”) developed by Responsible Business Alliance (“RBA”) and the Global e-Sustainability Initiative (“GeSI”) as part of their due diligence. It compels suppliers to reveal information on the minerals’ country of origin, as well as the smelters and refiners that processed them.</p>	<p>All suppliers of tin, tantalum, tungsten, their ores, and gold are required to sign a Conflict Mineral Declaration certifying that the goods, components, and materials they provide are conflict-free.</p> <p>Suppliers are also required to undertake RBA and GeSI Conflict Free Smelter Audits on smelters or refineries in their supply chains, as well as prohibit buying conflict minerals. All the information is uploaded and managed on the GSM system.</p>

Report

During the year, we conducted due diligence to assure conflict-free procurement with 100% compliance rate.



⁷ Conflict minerals refer to minerals that are mined under conditions of armed conflict, notably in the Democratic Republic of Congo and adjoining countries. Profits from the sale of these minerals finance ongoing armed conflicts. The four most commonly mined conflict minerals are cassiterite (for tin), wolframite (for tungsten), coltan (for tantalum) and gold ore.

Talent Management



SDG Targets



Related Material Topics

- Occupational safety and health
- Talent management and retention



Total workforce

27,798
employees



Investment in safe production

RMB53.4
million invested



Online learning platform

296,164
hours of training completed



Average training hours

14.0
hours per employee

Keeping our business at the forefront requires that we respond quickly and apply innovative techniques and technologies, including managing and grooming our talents. With fierce competition, AAC Technologies continues to consolidate its talent pool, digitalises its talent development and management process, and improve its employees' health and well-being to attract and retain top talent.

Human Resources Collaboration Platform

Our continued success and future development rely heavily on our valuable asset – employees. Therefore, “talent first” has become the primary concern of the Company's corporate culture. We dedicate resources to identify, acquire, develop and retain the best-fit talents to satisfy the demand for talent from different business segments. Our Human Resources (“HR”) Department takes up the role of an internal business partner to offer tailored talent solutions to meet the specific skillset needed for each distinctive product segment. In addition, the HR Department helps drive change within the corporate by being reactive to the needs of the rapidly changing industry.

A collaboration platform, Lark, was introduced this year to support HR and management functions. With this platform, 22,628 employees were served, saving a total of 5,395 man-hours, which is equivalent to almost 31 months of a full-time employee's work. The platform included a chatbot equipped with artificial intelligence (“AI”) and a knowledge centre where employees could ask questions. A total of 19,561 questions were answered by the chatbot during the year, which greatly enhances employee satisfaction.

Furthermore, the platform could serve the purpose of talent acquisition by identifying the most suitable individuals to complement the Group's intelligence-production strategy. The Platform can automatically develop talent profiles based on specific needs and select the most suitable candidates. It allows the Group to allocate resources precisely, addressing the unique challenges each product line faces. Through this powerful tool, we can maintain an updated talent inventory with enough human capital to meet any future special demands.

Future-proofing the Workforce

AAC Technologies needs individuals who possess the ability to anticipate upcoming challenges, such as increased competition and regulatory requirements, in a dynamic market. Recruiting talent is one of our key strategies for supporting future growth by identifying and acquiring the most qualified candidates. By improving our talent acquisition programme and strengthening our collaboration with higher education institutions, we ensure we identify the right talents and equip them with the skills needed for the future.

Taking into consideration the Group's strategic developments, we placed an increasing emphasis on talent acquisition and development. Through various exchange programmes, we acquired and developed young talents in schools and nurtured exceptional talents. In addition, we enhanced our training engagement and effectiveness through a combination of online and offline training. To better retain our talents, We also upgraded the traditional incentive model by incorporating more positive and timely monetary incentives and developing thorough promotion channels for diversified talents.

For essential roles, we have improved recruiting criteria and harmonised personnel qualification standards. Talent mapping and profiling provide a detailed overview of the existing talent pool's distribution, traits, skills and capabilities. For specific professions and positions, we have designed tailored solutions based on market trends and our product strategy. Amongst other things, the recruitment process, internal talent cultivation programme, succession plan, and motivation mechanism, are tailored to ensure that all positions are filled by the most suitable talent. Following the talent framework, our employees can upgrade their capabilities, respond to our product development strategy, deliver quality service to AAC Technologies' customers and pass the relevant skills on to the next generation of employees.

Purpose of Talent Review

Building a Strong Team	Improving Management Effectiveness	Enhancing Motivation	Creating More Value
<ul style="list-style-type: none"> Identify employees with core skills and capabilities 	<ul style="list-style-type: none"> Help managers to implement differentiated people management 	<ul style="list-style-type: none"> Increase employee's intrinsic drive and initiative with values as a driver 	<ul style="list-style-type: none"> Help employees understand AAC Technologies standards and requirements and become more valuable contributors

Talent Acquisition

We regularly review the talent pool from the demand-side perspective to ensure authenticity and validity and to close the competence gap. A dedicated recruitment team is established, which conducts training, assesses recruitment needs, screens CVs, arranges interviews, etc. Furthermore, we have revised our procedures and evaluated headhunting agencies, mobilising their resources for certain types of positions to expand our talent pool.

The university-enterprise cooperation has always been a pivotal part of our people strategy. During 2022, we conducted a series of recruitment activities covering over 50 universities, including Shanghai Jiaotong University, Zhejiang University and Nankai University, etc. These activities include online introduction and on-campus sharing sessions. Through these campus recruitment activities, we continue to identify the right talents that match the Group's core values and fit into our company culture.

We actively reach out to young talents, understanding their career expectations, promoting our company culture and explaining career prospects with the help of the strengthened network with universities and professors. To assist with campus recruitment, we keep up to date with current workforce trends using data collected from various channels and market analysis. We will continue to expand the scope of university-enterprise cooperation in Jiangsu, Shanghai and Guangdong to attract more young talent with high potential. Our goal is to have 300 partner institutions in the long run.

For fresh graduates, we offer travel and accommodation allowance to help them settle down, provide one-on-one coaching and training, including both specific and general skills training, and conduct regular one-on-one engagements follow-up from six months to a year to help new employees adapt to our company culture. In Vietnam, we have sent experienced recruiters to support local talent acquisition by providing them with relevant training and guidance.



A series of campus recruitment activities were conducted during the year to recruit 2023 graduates

Training and Development

To remain competitive, it is essential that the Group cultivates talent with appropriate skillsets and capabilities. Besides improving productivity, we strive to create an environment that supports employees' long-term career development, enabling them to achieve their goals while helping AAC Technologies achieve its own.

Induction Programme for the New Generation

To promote a sense of belonging within the company culture and ease the transition into our workforce, the Group has provided induction training for 75 recent graduates. We conducted induction training for our newcomers covering topics around corporate culture, company policies and other vocational skills. The introduction programme assisted college students in solidifying their professional knowledge and facilitating their career acceleration as they progressed.



Rongsheng Journey: Onboarding Training for Newcomers from the Local Community

Compared to large-scale and centralised school recruitments, social recruiters always encounter greater difficulties in training new employees due to recruiting time differences and personnel dispersion. As a result, we have also enhanced our induction programme for newcomers from the local community to ease their transition and give them a sense of belonging through our tailored orientation programme, "Rongsheng Journey".

"Rongsheng Journey" consists of online and offline training. Our online learning platform consists of 22 courses covering topics such as corporate information, policies & procedures, and professional ethics to assist newcomers in their onboarding process. Face-to-face training is also provided to facilitate the adaptation and integration of newcomers into our company culture.



Online Learning Platform

The benefits of online learning include flexibility, wide coverage, and strong inclusiveness, making it an essential part of our training resources. During the year, we developed five learning modules to enrich the contents of our online education platform. Amongst these modules are leadership, management, professionalism, integration, and general learning. We currently offer 402 courses on our online learning platform, of which 85% are professional and technical training provided by lecturers and technical experts.

In 2022, 10,722 people accessed our online learning platform and completed 296,164 hours of training. The implementation of the online learning platform has significantly improved training efficiency and provided our employees with the training they need.



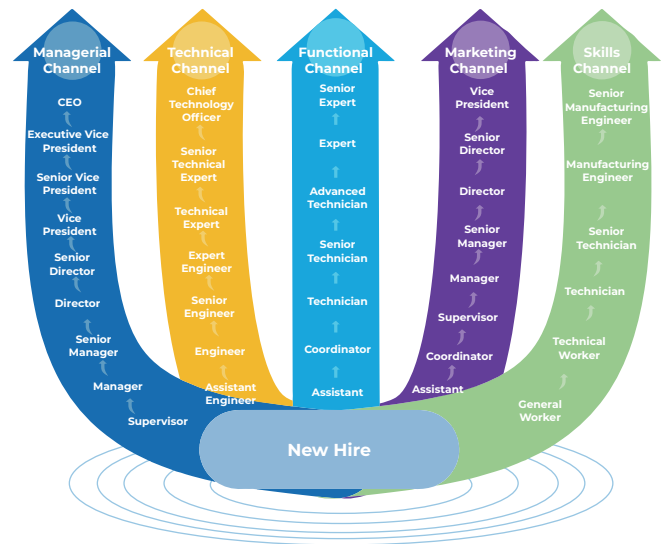
We have been working with Nanjing University Business School and China Europe International Business School to develop key skillsets for our senior engineers and directors, such as coaching, change management, organisational design, and persuasiveness. This will ensure that our leaders are equipped with the skills and attitudes necessary for their success. A total of 388,977 training hours were completed by all employees, with an average training hour of 14.0 per employee. We will continue to enhance our data collection system and include training hours by gender in the future.

	Training Person-times	Total Employees	Total Training Hours	Average Training Hours
General staff	161,170	22,204	321,545	14.4
Management	38,075	5,594	67,432	12.1
Total	199,245	27,798	388,977	14.0

Performance Appraisal and Career Development

Performance Management System is embedded into the regular employee evaluation framework. We have arranged monthly performance appraisals for employees and made timely changes to the management structure based on appraisal results, enabling more promotion opportunities for our young talents.

As part of our career development strategy, the Group has enhanced its career development pathway by clearly defining the corporate ladder in each of the following channels: managerial, technical, functional, marketing, and skills. This allows employees to better understand their career paths, thus keeping them motivated.



Career Development Pathway

We also help employees from managers to frontline staff define goals and measure their performance. Our product lines have adopted an agile management approach to increase the efficiency of work distribution, project leadership, and execution. This approach also helps develop a strong team with a unified goal. Data on employee performance is collected and analysed to determine work arrangements, employee incentives, and job rotation options. The Group is built on a high-performance culture, where outstanding employees are empowered and promoted to vital positions, where they can make a significant contribution and deliver results. We encourage employees to set higher goals, set higher benchmarks and reinforce sustainable performance, so that our employees and the Group can thrive together.

Talent Incentive and Development Framework

We continue to refine our incentive model by incorporating new incentives based on project progress at different job levels. Incentives reform allows us to clearly define employees' responsibilities to improve efficiency and encourage teamwork.

We implemented a new Talent Incentive and Development Framework for our employees during the year. Under this framework, employees are divided into three categories: team leaders, team members, and general workers. All employees are eligible for fixed salaries, incentives (both short-term and long-term), subsidies, and commendations. Their performance and incentives are evaluated accordingly, which makes the most of their potentials. Short-term incentives typically involve annual or performance bonuses, while long-term incentives may include retention bonuses or equity bonuses based on the Group's profits and/or operating income.

Commendation Ceremony



A commendation ceremony was held to express the Group's gratitude and support to the employees for their dedication and effort over the past year. At this ceremony, 26 teams and 51 employees received awards to recognise their outstanding performance and showcase their professional spirit of AAC Technologies. The team awards were divided into seven different categories, namely the "Benchmark Operation Management Award", "Best Agile Collaboration Award", "Excellent Team Award", "Excellent Sales Award", "Special Anti-epidemic Award", "Technology Innovation Breakthrough Award for functional teams" and "Value Creation Award". Amongst the employee rewards, the "Outstanding Employee Award" recognised the outstanding contributions to the organisation and outstanding performance during the course of the project. This award was given to outstanding individuals from PD, Technical, Business, Production Management, Operations, and Functional departments. Our employees regard them as role models and will learn from their successful experience in future work.



Striving for Employee Satisfaction

Engagement and Grievance

Employee engagement is an integral part of AAC Technologies' talent management practices and philosophy. To preserve a harmonious workplace, we strive to ensure each employee's concern and feedback is heard and addressed in a timely manner. All enquiries, complaints and grievances can be communicated via "Lark", mail, email, hotline and directly to the HR office.

We have established a Grievance Resolution Procedure that enables open and easy communication with workers. This procedure categorises complaints and specifies how they should be handled and addressed, as well as when they should be handled and resolved. Investigations are conducted fairly and in a way that protects the rights and privacy of complainants. We reward workers who submit constructive feedback and genuine complaints to encourage them for using the grievance channels. According to the Code of Conduct, those who submit false information, disrupt the inquiry process or misuse the channel for personal gain are held accountable.



Employee engagement meeting

Complaints Received	Investigation	Report	Communication
<ul style="list-style-type: none"> The Legal Department gathers and monitors all the complaints received and contacted the relevant complainant within 3 working days. 	<ul style="list-style-type: none"> Cases are reviewed and filed for investigation. If the case is found not suitable for investigation, the relevant complainant will be notified with reasoning. 	<ul style="list-style-type: none"> Immediate follow-up actions are taken for violation cases. Complainants are notified of results within 5 working days⁸. The complainants have the right to appeal. 	<ul style="list-style-type: none"> Cases of non-compliance are clearly communicated to employees via intranet and internal bulletin by the HR Department.

During the year, the grievance system received 3,021 consultations, 2,368 complaints and 9 suggestions on issues that included but were not limited to accommodation, catering services and work arrangements. All of them were resolved according to procedures, with records of grievances kept at the online grievances handling platform.

⁸ Cases relating to disciplinary matters shall be resolved within 14 days, while fraud investigations shall be resolved within 30 days unless an extension has been granted by the Department Heads.

Employee Welfare

The Group assures that all employees will receive equal treatment and perks. Annual leave, allowances, incentives, and social insurance, amongst other perks, are provided in line with local rules in the countries and regions in which we operate.

Salary Adjustments and Incentives

Salary is adjusted annually based on merit. Every year, the HR Department performs compensation and benefits research against industry standards and adjusts the compensation and benefits structure based on the results of research findings and big data analytics.

As for frontline workers, the Group implemented a Piece Incentive Plan to motivate them to strive for higher production. As workers' production of piecework increases, the percentage of monetary incentives that can be obtained will also increase. The plan greatly enhanced workers' enthusiasm, and ends up with higher satisfaction.

Employee Satisfaction and Wellbeing

Annual employee satisfaction survey covering work arrangement, salary and welfare, accommodation and catering, career development and communication constituted the basis for deciding on the enhancement of accommodations, food, and shuttle bus services.

To safeguard employee's wellbeing, we provide free medical checkups for both new joiners and existing employees annually. In 2022, a total of 50,536 health checks have been conducted. In addition, to protect the rights and welfare of female employees, related policies such as particular work arrangements for pregnant employees and breastfeeding hours for nursing mothers have been implemented. Nursing room rules are in place to ensure that suitable breastfeeding areas are available when required.

Our aim at AAC Technologies is to cultivate a strong sense of belonging for our employees by actively listening to their needs. We have taken the following actions this year to further enhance employee engagement and well-being in response to their needs.



Enhancement of Employee Canteen in Nanning Shenguan factory

A new service provider was introduced (via public bidding) to improve the quality of the employee canteen in the Nanning Shenguan factory. Management has also changed the operating model of the employee canteen from a sole outsourcing model to a hybrid model where both self-operating and outsourcing models were used to operate the two employee canteens. As a result of the above changes, the canteen satisfaction score has increased significantly from less than 50 in the fourth quarter of 2021 to an average score of over 80 in 2022.

Distributing Gifts to Employees during Chinese New Year

As part of our Chinese New Year celebrations in 2022, we distributed gifts to our employees. We learned what employees prefer as gifts and made purchases accordingly. By consolidating purchases across different regions, we were able to save costs while spreading joy over the holidays. Through regional procurement, welfare spending costs are reduced, which in turn enhances the quality of welfare with the same budget.

Special Arrangement during Festive Seasons

To celebrate Chinese traditional festivals, special meal arrangements and various festive activities, such as guessing lantern riddles, making mooncakes or other reunion activities, were arranged by the production plants in different regions.

Occupational Health and Safety

AAC Technologies places a high priority on health and safety, aiming for zero fire incidents, injuries, or disasters. The CEO leads the Safety Management Committee (“the Committee”), which oversees the execution of the Group’s occupational health and safety system. The Committee is responsible for facilitating occupational safety management in production and keeping abreast of health and safety trends. The committee meets every three months to mobilise Group resources for dealing with occupational health and safety matters, as well as to ensure the smooth operation of the system. Employee representatives from different departments and functions are invited to join the quarterly meetings to ensure their opinions are valued.

We have established an Occupational Health Management procedure, which directs us to conduct inspections of health and safety hazards at our production locations and take immediate remedial measures to prevent employees with a high health and safety risk from performing production work. To raise the awareness and knowledge of employees about health and safety, we follow the Safety Education and Training Policy, ensuring that sufficient training is provided to employees of different categories, including but not limited to new employees, safety management staff, special operating staff and management staff at different levels. Specialised safety inspections are conducted weekly covering different themes including but not limited to electrical safety, hazardous chemicals, occupational health and safety, construction and facility safety management. During the year, all identified potential hazards have either been addressed or in the process of being rectified. Equipment, fire safety and chemical hazards comprise approximately 75% of the potential hazards identified.

All production sites in Changzhou, Nanning, Shenzhen, Shuyang, Suzhou, and Vietnam have been certified for ISO 45001 Occupational Health and Safety Management system. We conduct third-party audits and internal audits of our occupational health and safety management system to ensure that our standards are up-to-date with the laws and regulations, striving for the best practices in the industry.

Below is a three-tier safety inspection system that AAC Technologies implemented to foster health and safety management.

Tier 1: EHS Engineer	Tier 2: Safety Inspector	Tier 3: Departmental Level
<ul style="list-style-type: none"> Monitor the overall health and safety matters in the operations 	<ul style="list-style-type: none"> Carry out safety inspections and facilitates client engagement 	<ul style="list-style-type: none"> Responsible to regulate self-checking and periodical reviews Coordinate their own safety training and inspection were necessary

During the year, the Group was not aware of any material non-compliance with occupational health and safety-related laws and regulations that would have a significant impact on the Group.

Chemical Safety

The production of electronic items involves the handling and consumption of chemicals that can be hazardous to human health and the environment. We have established a hazardous chemicals management system to safeguard chemical safety, ensuring compliance with safety regulations during procurement, transportation, storage, utilisation and eventually end-of-life disposal.

The digitalised chemical management system provides a structured approach to chemicals usage and flexible chemicals safety training before onboarding. The system records the number of chemicals being stored as well as the capacity of the storage. Chemicals purchased from suppliers are evaluated before entering storage with other chemicals. Upon successful evaluation, the newly purchased chemicals are recorded in the system according to their types and quantities. Relevant personnel will be invited to attend pre-onboarding training through visual materials and assessments on the EHS platform. We are working to include full participation from employees to be eligible to review all course content when necessary.

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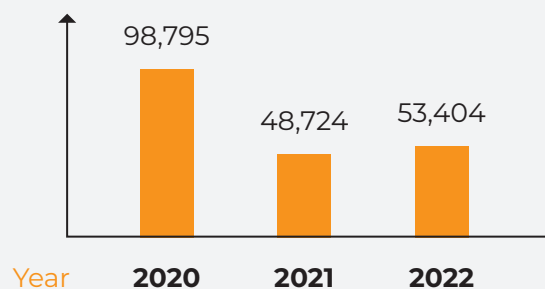
Preventing Occupational Diseases

We spare no effort to safeguard our employees from safety hazards and occupational health issues. The Occupational Health Management Procedure is in place to outline the preventive, responsive and follow-up measures for safety in the workplace.

Every three years, we conduct occupational diseases inspection at our operational sites. We commissioned a qualified third party to ensure that our product aligns with related laws and regulations, identify potential occupational disease risks and their hazardous level to employees and evaluate the prevention measures. By carrying out such inspections, we reinforce our health and safety management to better prevent workplace hazards. Our Emergency Response Team supervises and monitors the management procedures, and assigns responsibilities to different departments. Personal protective equipment is distributed to related personnel to ensure that employees are equipped with adequate and qualified safety gear during the operations.

Occupational health checkups, including checkups prior-to, during and after the term of employment, were conducted to employees at risk of occupational disease during the year, as defined under the relevant national legislation. Should any abnormal results be found, further check-up or examination will be scheduled to detect occupational diseases as early as possible.

Health and Safety Expenditure (RMB'000)



Health and Safety Awareness

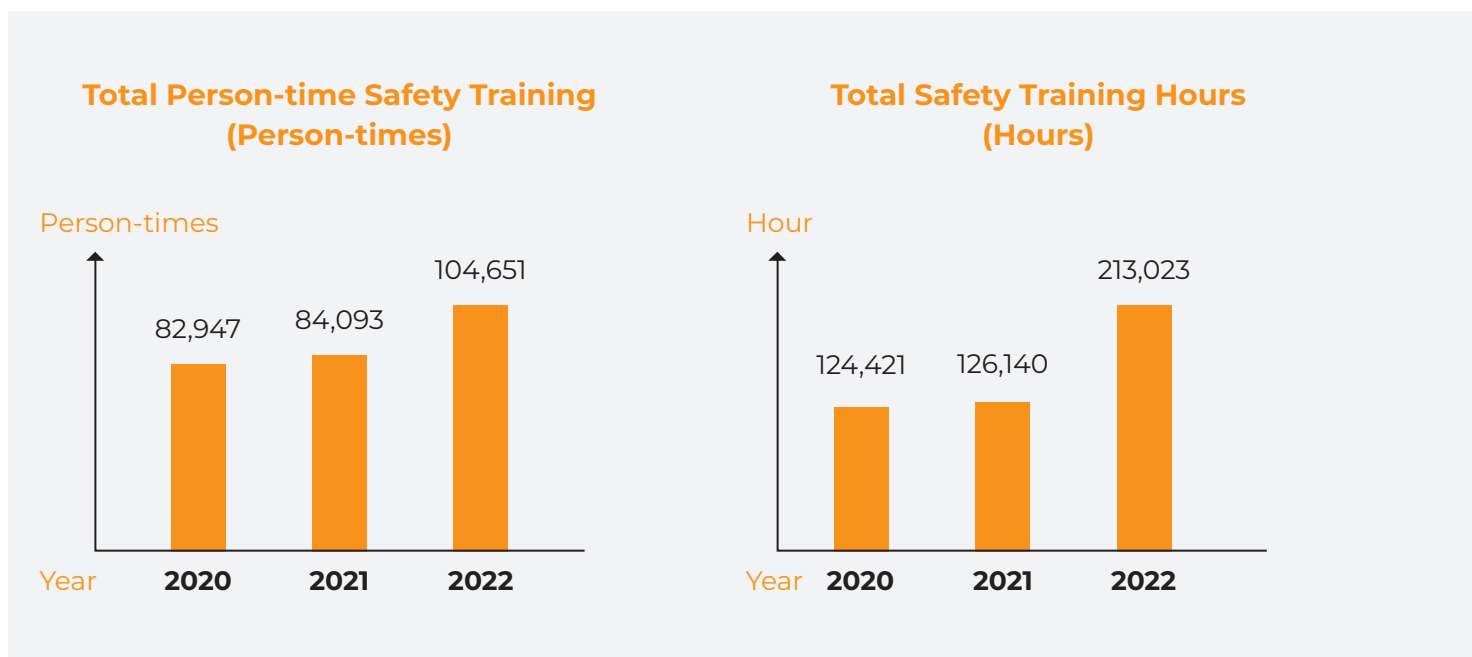
Digitalised EHS Platform

The digitalised EHS platform provides a one-stop platform to manage health and safety matters. From file storage, data sharing to synchronisation, it provides the latest update on laws and regulations across the Group to allow prompt adoption of relevant practices. The platform also shares up-to-date data including the total number of employees who have completed body checks, risk assessment, occupational health and safety-related task management, data analysis and inspection results. Mandatory safety training and assessment are required for all managers before the online on-boarding training.

Safety culture is promoted within our organisation through close collaboration between all levels of employees. On a day-to-day basis, we communicate decisions made at the management level through a WeChat official account and the internal portal. EHS management publishes hot topics and seasonal content on the official account or newsletter to emphasise the importance of maintaining safety practices at the workplace.

Raising Safety Awareness through Training

The month of June 2022 marks the 21st year of National Safety Production Month. A series of safety activities have been organised by the Ministry of Security under the theme "Comply with the Safety Production Law and be the first responsible person". In order to reinforce this theme, we organised a Safety Month with a series of activities to raise our employees' safety awareness. Moreover, we conduct drills for our employees to better prepare them for dealing with these emergencies and to test whether they follow the Group's response policies. Every drill is evaluated and corrective action is taken to ensure better preparation for any future emergency.



During the year, we recorded 2,903 lost person-days due to work-related injuries.

Highlights of our Safety Training and Activities



Strengthen Employee's Awareness and Safety Knowledge

- All major responsible persons in each BU are trained and certified
- Two first aid training workshops were held, and 133 people obtained certificates
- A team of 30 internal auditors was trained on ISO 14001:2015 / ISO 45001:2018



Enhancement on Fire Protection and Drills

- Each production plant is equipped with a fire control room manned 24 hours a day
- Eight of the on-duty staff in the fire control room have completed the intermediate level of fire protection training
- 18 fire drills were held in various factories. A total of 20,107 employees participated



Safety Month and Quiz

- Safety Month was organised to promote safe production
- Banners and posters were put up to remind employees the importance of workplace safety
- Safety quiz was organised to test the employee's OHS knowledge and enhance their safety awareness

Our Workforce

As of 31 December 2022, the Group had a total of 27,798 employees. The proportion of male to female employees was maintained roughly at 62:38. Approximately 86% of our employees were located in China, with Changzhou and Nanning accounting for 48 % and 13% respectively of the total. The majority of the overseas employees were in Vietnam, taking up 12% of the total. 80 % of the Group's employees are general staff, while 20% were management executives.

Mechanics and operators accounted for 47.5% and 30.7% respectively of the total employees, which also forms the majority of the general staff. 46.2 % of the general staff were below the age of 30. There were 3,880 R&D engineers and technicians. Approximately 55.1% of employees have degree-level qualifications or higher.

Employee by Geographical Region



Changzhou 13,416	Shenzhen 1,391	Shuyang 2,982	Suzhou 1,443	Nanning 3,672
Vietnam 3,467	Overseas or other areas 1,427			

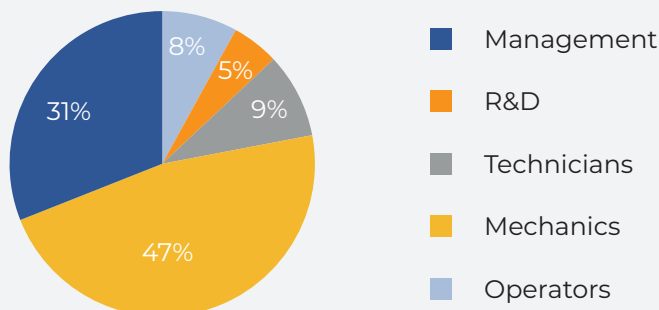
Employee by Gender

	Changzhou	Shenzhen	Shuyang	Suzhou	Nanning	Vietnam	Overseas or other areas	Total
Male	9,303 (33.47 %)	910 (3.27%)	1,895 (6.82%)	784 (2.82%)	1,985 (7.14%)	1,200 (4.32%)	1,091 (3.92%)	17,168 (61.76%)
Female	4,113 (14.80%)	481 (1.73%)	1,087 (3.91%)	659 (2.37%)	1,687 (6.07%)	2,267 (8.67%)	336 (1.21%)	10,630 (38.24%)

Employee Distribution by Age, Education and Profession

	By Age				By Education		By Profession				
	<30	31-40	41-50	>50	Degree or above	High School or below	Management	R&D	Technicians	Mechanics	Operators
Management	1,616	3,127	697	154	5,505	89	2,185	1,356	2,041	0	12
General Staff	10,249	9,765	1,994	196	9,816	12,388	0	0	483	13,199	8,522
Total	11,865	12,892	2,691	350	15,321	12,477	2,185	1,356	2,524	13,199	8,534

Employee Distribution by Profession



New Hire

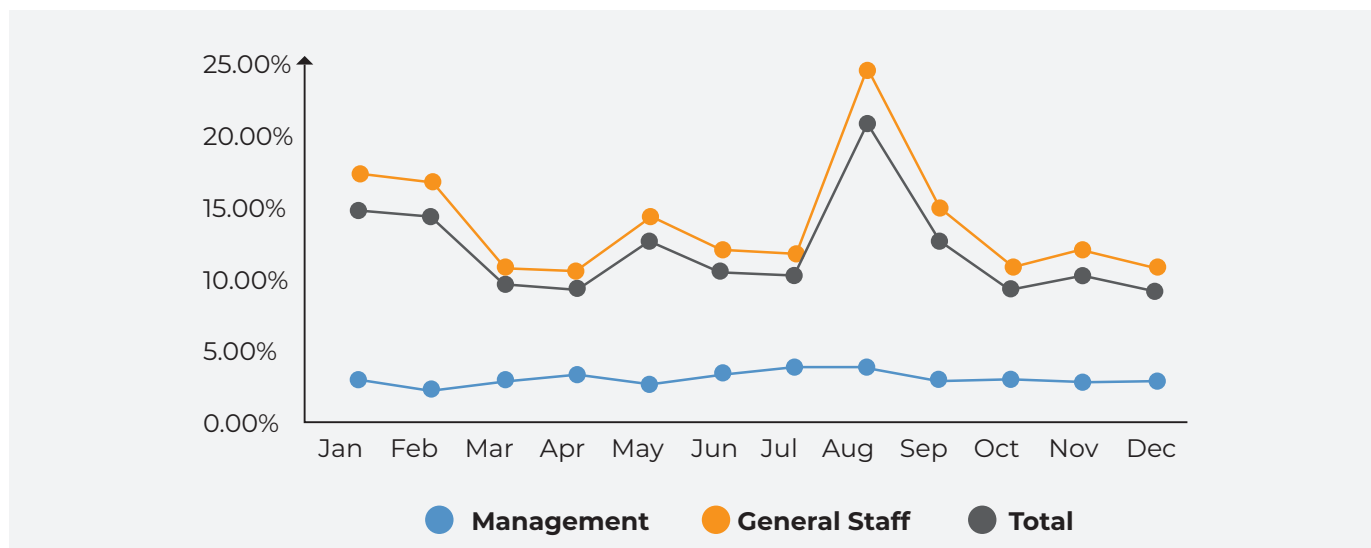
Composition of New Hires

New Hires	Number of New Hires in 2022	New Hire Retention Rate ⁹
Gender		
Male	20,879	17 %
Female	15,308	21 %
Age		
<30	21,687	19 %
31-40	12,465	18 %
41-50	2,008	15 %
>50	27	78 %
Geographical Region		
Changzhou	22,294	14 %
Shenzhen	178	74 %
Shuyang	1,650	32 %
Suzhou	4,013	9 %
Nanning	5,322	19 %
Vietnam	1,885	58 %
Overseas or other areas	845	8 %
Function		
Management	1,162	82 %
General Staff	35,025	17 %

⁹ The new hire retention rate refers to the number of new hires who remain employed by the Group as at 31 December 2022 divided by the total number of new hires during the year.

Employee Turnover Rate

91.2% of employees left by voluntarily resignation, while the remaining 7.8% left by agreement with the Group and 1.0% due to contract termination.



By Age				By Gender		By Business Function	
<30	31-40	41-50	>50	Male	Female	General Staff	Management
14.4%	8.4%	6.7%	2.6%	10.4%	11.6%	9.4%	2.0%

By Geographical Region						
Changzhou	Shenzhen	Shuyang	Suzhou	Nanning	Vietnam	Overseas or other areas
12.7%	2.3%	6.2%	19.1%	13.4%	2.9%	5.0%

Labour and Employment Compliance

Respect for Human and Labour Rights

AAC Technologies respects basic human rights and labour rights and aligns with the Universal Declaration of Human Rights, United Nations International Covenant on Civil and Political Rights, United Nations International Covenant on Economic, Social and Cultural Rights and other international covenants and declarations. At locations where we operate, we strictly adhere to labour rules and regulations, including but not limited to the Labour Law of the People's Republic of China ("PRC"). We also follow the principles outlined in the Responsible Business Alliance's Code of Conduct, as well as other social compliance industry standards.

The Group supports the principles of inclusion, diversity and equal opportunity, taking responsibility to build a fair and inclusive workplace. We prohibit any discrimination and harassment of employees regarding the contract type, ethnicity, gender, religion and disability, etc. Ensuring the non-discrimination policy is implemented in daily operations, our Code of Conduct outlines a set of appropriate behaviours expected from employees and consequences of violation.

During the year, the Group was not aware of any material non-compliance with any laws and regulations related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits, which would have a significant impact on the Group. We were not aware of any incidents of human rights infringement during the year.

Managing Labour Risks

The Group works closely with customers on social compliance and mitigating labour risks. Regular audits are initiated by the customer with a focus on labour and other relevant social practices at our production sites. Findings of the audits and corresponding improvement plans on labour practices will be implemented following the approval of the customer and third-party inspection. All outstanding items identified during these audits are promptly followed up and resolved.

Training is also vital to managing labour risks. Through induction training, all newcomers are made aware of their entitled rights and ways to protect their rights. Training is also conducted for HR personnel who are responsible to follow ethical employment procedures, with issues covering labour laws, company policies and Code of Conduct, as well as identification and handling of child labour, etc.

The table below summarises the Group's potential labour-related risks and our mitigating actions.

Labour-related Risks	Our Mitigating Actions
Maternity	Demanding a pregnancy test is prohibited throughout the recruiting process to safeguard women's right to work. Employees who are pregnant are not assigned to night shifts, overtime duty, or high-risk activities.
Working Hours	Overtime employment is completely voluntary. To reduce unnecessary working hours, we continue to improve collaboration on production planning.
Salary Payment	Salary is paid timely and accurately in accordance with local laws and regulations. Employees can use the online HR services system to inquire about salary calculations. Salary deductions are not allowed as a disciplinary measure.
Freedom of Association	<p>We respect workers' right to unionise and the right to collective bargaining. Discrimination and retribution against employees because of their union membership or activity are prohibited. We have a grievance resolution procedure in place to enable open and easy communication with workers.</p> <p>We maintain an effective grievance procedure and an open line of communication with employee-elected representatives to understand employees' concerns and avoid future labour strikes. Emergency response mechanisms are in place at the production sites in Vietnam to settle any conflict lawfully and peacefully with mutual respect, pursuing solutions that benefit all parties after researching the fundamental reason.</p>
Discrimination and Harassment	Any discriminatory phrases in job advertisements are reviewed. Managers are given related training. For reporting suspected incidents of discrimination and harassment, grievance mechanisms are available.
Forced Labour	As a condition of employment, recruitment personnel are not permitted to withhold candidates' identity papers or collect deposits. To guarantee that the recruiting procedure is followed, random inspections are carried out and interviews are conducted with newcomers.
Child and Young Labour	Employees' identity papers are reviewed and interviews are conducted to verify their age. We also use a facial recognition system that is linked to the public security system to verify our employees' identities. Further investigation is conducted on suspected cases.

Child and Young Labour

The Group strictly prohibits the use of child labour under the age of 16. Any occurrences of child and young labour discovered are dealt with according to laws. A child labour remediation policy is in place, specifying the process of handling child labour, to protect children's rights, particularly their right to education until they reach legal working age. Despite the fact that we do not hire young workers between the ages of 16 and 18, we maintain a Young Worker Protection Policy to monitor the associated labour risks. Young employees are not allowed to work in hazardous tasks or work overtime under the regulation. Workers' information is collected and handled in collaboration with their parents and schools.

During the year, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group.

Managing Environmental Impacts



SDG Targets



Related Material Topics

- Environmental compliance
- Expenditure on environmental protection

Our Environmental Targets



75%
Achieve 75% clean energy consumption at 2 major Changzhou plants in 2030



90%
Maintain a minimum of 90% waste diversion rate at two major plants in Changzhou plants and achieve a 90% waste diversion rate in the Shenzhen plant in 2022



-5%
Maintain carbon emission at 5% lower than the government's quota each year in Shenzhen



3%
Reduce total water consumption of all Changzhou plants by 3% in 2022

To align with China's national carbon neutrality goal and to reduce our environmental impacts, we continued to strengthen our comprehensive action plans as well as environmental management systems. A high priority has been placed on expanding our use of renewable energy. Three new large-scale solar photovoltaic power systems were installed at our Nanning and Changzhou plants. In 2022, over 20 million kWh of renewable energy was generated, representing a more than 20% increase when compared to 2021.

Environmental Management

In order to reduce environmental impacts caused by the Group's business activities, the General Management Offices regulate environmental issues at our production facilities. We have acquired ISO 14001:2015 certification for environmental management systems at all production sites.

The Group strives to make consistent and continuous progress in protecting the environment and reducing conventional energy consumption. We provide our staff with training in environmental protection skills and monitor the effectiveness of our environmental system.

We ensure an environmental impact assessment is conducted before constructing new production sites. In addition, we ensure that pollution control facilities are established according to the local government's requirements, and periodic government audits are conducted after completion.

During the year, the Group did not incur any significant fines or was not aware of any material non-compliance with relevant laws and regulations that would have a significant impact on the Group related to the emission of gas and GHG, discharge into the water or land, and generation of hazardous or non-hazardous waste.

Climate Resilience

In order to mitigate the physical and transition risks associated with climate change, AAC Technologies is committed to developing strategies in line with industry best practices. We will be able to mitigate, adapt and enhance our resilience to the risks and impacts on our business operations through these sustainable strategies.

The Group established a Climate Change Policy, approved and adopted by the Board on 23 March 2022, which aims to reduce energy consumption and its reliance on non-renewable energy by increasing renewable energy generation capabilities in technically and economically feasible operating environments, executing action plans to continually improve energy efficiency and encouraging the use of low-carbon products and energy-efficient equipment.

To pave the way for a more transparent and consistent communication of climate-related information to our stakeholders, continuously put our efforts to perform assessment and align disclosures on climate risks with reference to Task Force on Climate-Related Financial Disclosure (“TCFD”) recommendation. In February 2023, AAC Technologies has kickstarted enhancement of TCFD disclosures by engaging a third-party consultant to perform a review in 2023 to identify gaps and enhancement areas against the current TCFD disclosures.

Governance

The Board of Directors takes the responsibility for the oversight of climate-related risks, supported by the SWG, which regularly reports to the Board. The functions and responsibilities of the SWG are mentioned in the “Sustainability Governance” section of this report.

Strategy and Risk Management

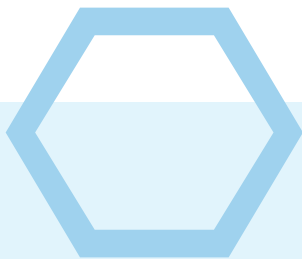
The Climate Change Policy helped to drive the Group’s sustainability progress and manage its impact on climate change through mitigation, adaptation and resilience. The adoption of the Climate Change Policy supports our commitment and continuous progress in incorporating climate-related issues into our sustainability management system, ISO 14001:2015 Environmental Management System and ISO 50001 Energy Management System. The Group will also improve energy efficiency and incorporate climate change into its procurement considerations.

To minimise damage caused to people, property and the environment by extreme weather such as typhoons and rainstorms, the Group has formulated the Flood Warning Emergency Response Plan and conducts regular flood prevention drills to improve its ability to cope with extreme weathers.

Following the TCFD recommendations, the table shows our actions undertaken in response to the potential impacts brought by the climate-related risks and opportunities that the Group may be facing.

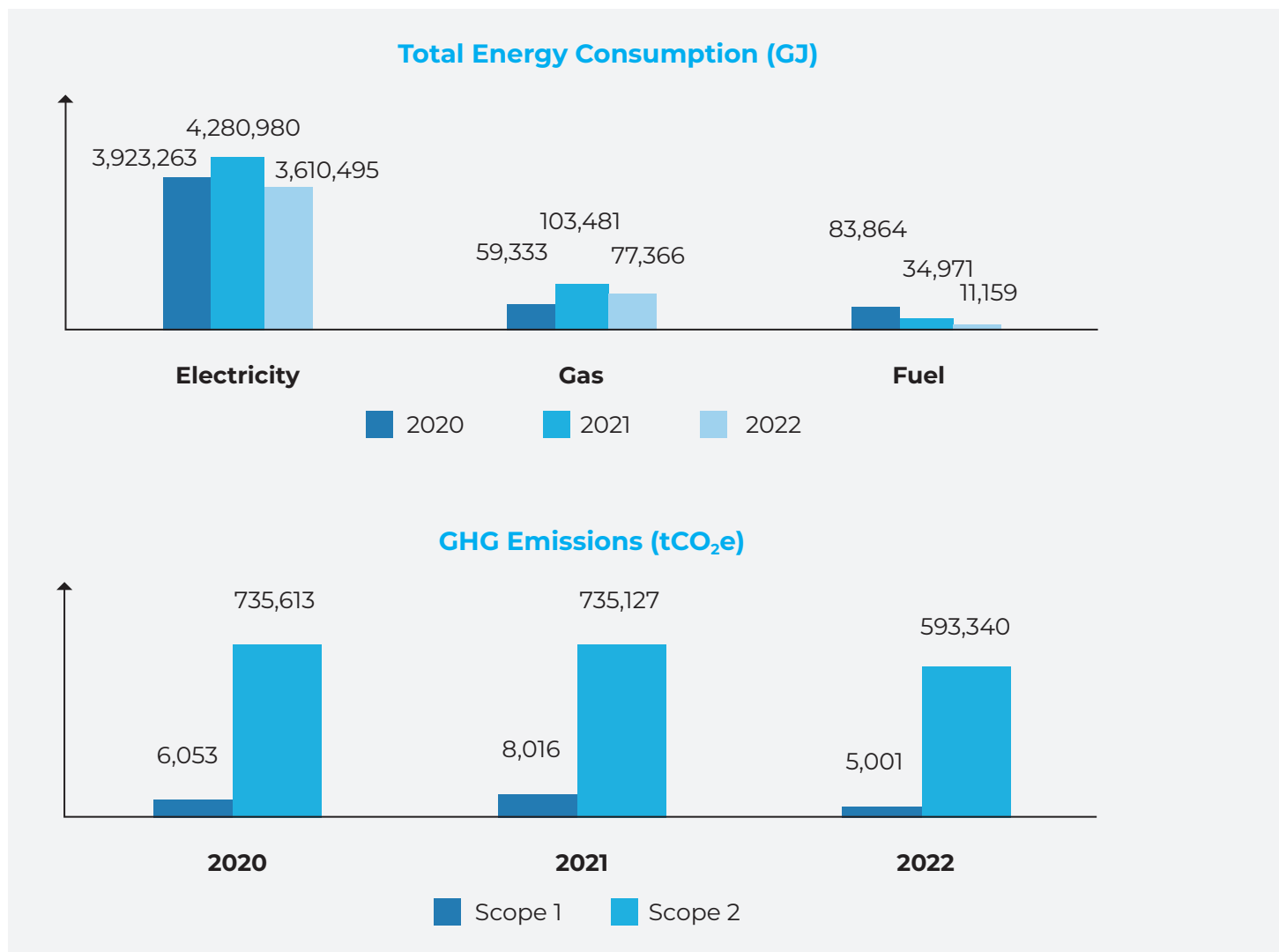
	Description	Potential Business Impacts	Actions Undertaken	Corresponding Section
Physical risks				
Acute	Increased frequency and severity of extreme weather events (e.g. typhoons) may damage our facilities and affect materials and products transportation	<ul style="list-style-type: none"> • Increased operating and maintenance costs • Loss of revenue 	<ul style="list-style-type: none"> • Implemented natural disasters emergency plan 	<ul style="list-style-type: none"> • Climate Resilience
Chronic	Prolonged period of extremely hot weather	<ul style="list-style-type: none"> • Increased in operating cost such as energy cost • Increased chance of heat - related injuries which affect employees' health and safety 	<ul style="list-style-type: none"> • Energy management in accordance with ISO 50001 Energy Management System • Implemented energy - efficiency retrofits 	<ul style="list-style-type: none"> • Working towards Carbon Neutrality
Transition risks				
Policy and legal	Enactment of more stringent laws and regulations related to climate change	<ul style="list-style-type: none"> • Increased compliance cost 	<ul style="list-style-type: none"> • Regularly monitor the regulatory trends 	<ul style="list-style-type: none"> • Strengthening Environmental Risk Prevention
Market	Change in customer preferences for green products	<ul style="list-style-type: none"> • Reduced revenue due to the decrease in demand for current products 	<ul style="list-style-type: none"> • Strengthen research and development of environmentally friendly products • Control and avoid the use of hazardous materials in products 	<ul style="list-style-type: none"> • Management of Hazardous Substances

Description	Potential Business Impacts	Actions Undertaken	Corresponding Section
Opportunities			
Products	<ul style="list-style-type: none"> More low - carbon, energy - saving technologies are developed 	<ul style="list-style-type: none"> Introduction of new technology Reduced energy cost 	<ul style="list-style-type: none"> Adopted energy - saving technologies including intelligent energy management system Exploring new environmental technologies and developing sustainable products Establishing energy - efficiency facilities Replacing traditional fossil fuel - based shuttle buses with renewable energy powered shuttle buses
			<ul style="list-style-type: none"> Working towards Carbon Neutrality Reducing Emissions of Air Pollutants



Metrics and Targets

In 2022, the Group consumed a total of 3,699,020 GJ¹⁰ of energy (equivalent to 1,027,587,756 kWh), with an energy consumption intensity of 179 GJ (equivalent to 49,726 kWh per million RMB revenue). For direct energy, the consumption of fuel gas, diesel and petrol were 1,934,147 m³, 95,247 kg and 144,588 kg respectively. For indirect energy, the consumption of electricity was 1,002,915,220 kWh.



The Group's total GHG emissions were 598,341 tonnes of carbon dioxide equivalent ("tCO₂e"), with an emission intensity of 0.29 tCO₂e per ten thousand RMB revenue. Total GHG emissions decreased by 19.6% compared to 2021. Indirect emissions from purchased electricity constitute the main source of the Group's GHG emissions, accounting for 99% of total emissions.

The SWG is currently in the process of refining the Group's quantitative environmental targets for 2023 and onwards to enhance environmental performance and meet stakeholders' expectations. Environmental targets set for 2022 have all been achieved or are on track. The use of solar energy, smart production technologies, and energy-saving equipment has been expanded in order to achieve our emissions targets. Our facilities' design, construction process, and raw materials will also be incorporated into carbon reduction strategies.

¹⁰ Energy Consumption Calculation Methodology
Energy consumption calculations are referenced from "Energy Statistics Manual - Appendix 3: Units and Converted Equivalents" published by International Energy Agency.



Carbon Emissions Target

Maintain carbon emission at 5% lower than the government's quota each year in Shenzhen

Progress in 2022:

The carbon emission in Shenzhen has reduced 17% this year compared to 2021. The Group will continue to take active decarbonisation actions to further progress towards a low carbon future.

Currently, the Group is in the process of reviewing its existing environmental targets, which include targets for carbon emissions, energy consumption, waste diversion, and water consumption. In order to combat climate change and move towards a low-carbon operation, the Group will continue to monitor its sustainability performance and take the necessary actions.

Working towards Carbon Neutrality

Converting to Renewable Energy

In order to mitigate climate-related risks, the Group is progressively transitioning from fossil-derived energy to renewable energy. We aim to achieve 75% clean energy consumption at two Changzhou plants by 2030 in order to meet the national carbon neutrality target.

Over 20 million kWh of solar energy was generated by all our solar photovoltaic ("PV") plants in 2022, an increase of approximately 22% when compared to 2021. Three solar PV plants were also newly installed in our Nanning and Changzhou plants in China this year. Our goal is to launch Yangzhou's solar PV plant in 2023, which will additionally generate approximately 1.95 million kWh annually.

The Group's Industry and Information Technology Department has reviewed the plant energy consumption values across some selective plant equipment. We aim to review all plant equipment in 2023 to assess the possibility of increasing the proportion of clean energy.





Energy Consumption Target

Achieve 75% clean energy consumption at 2 major Changzhou plants in 2030

Progress in 2022:

On track. In order to achieve our target in 2030, we will continue to increase our consumption on clean / renewable energy.

Enhancing Energy Conservation

To improve energy efficiency, we are committed to making energy-saving improvements in our production facilities and buildings. This year, the Group implemented a number of energy-saving retrofit projects by enhancing its intelligent energy management system. Our energy management platform is also accredited under ISO 50001.

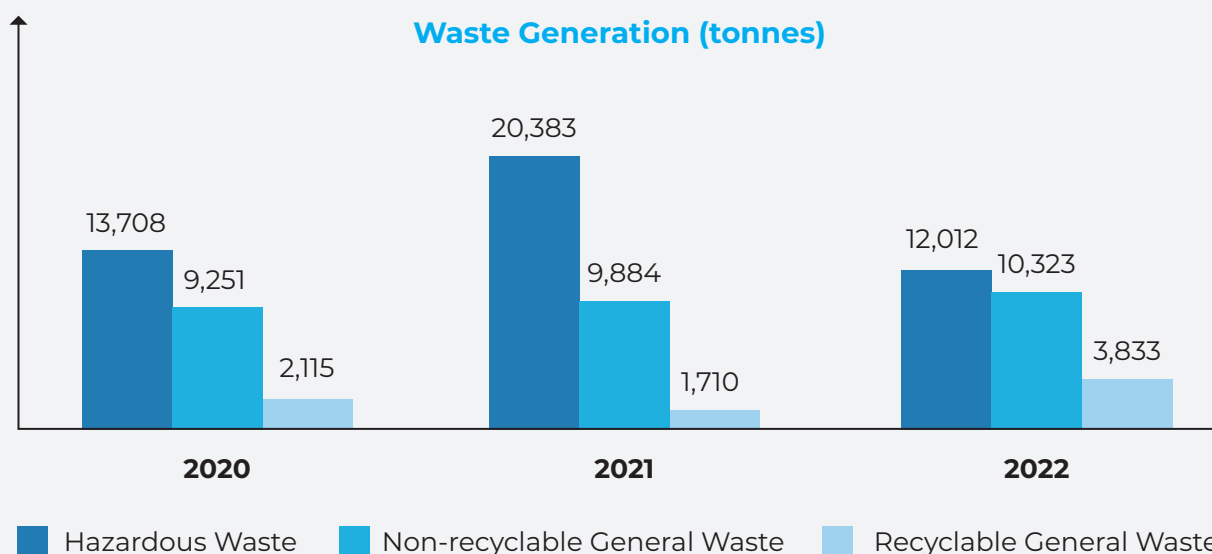
The enhanced intelligent energy management system optimises the Group's energy consumption management by integrating consumption data at the production facilities, conducting real-time monitoring and analysis of the statistic, production and operation status, for instance, the system will track the data and temperature of the equipment and detect problems and changes in advance at a lower cost.

Location	Projects	Electricity Consumption Saving	Energy-saving Efficiency
Nanning Shenguan plant	Air-conditioning energy-saving system	Approximately 856 MWh	25%
Changzhou New Energy plant	Air-compressor energy-saving control system	Approximately 607 MWh	12%
Changzhou Gangwan plant	Chiller-plant energy management platform	Approximately 700 MWh	18%

Waste Management

Responsible and sustainable production are our top priorities. In accordance with our strict guidelines regarding hazardous and non-hazardous waste handling and disposal, we continuously evaluate the effectiveness of our waste management approach, including storing, repurposing, and disposing of waste responsibly.

During the year, a total of 12,012 tonnes of hazardous waste and 14,156 tonnes of general waste were generated. 27% of the general waste was recyclable.



To ensure the effectiveness of our waste management approach, we have designated personnel at each production plant to ensure that waste management is carried out properly and training on waste handling and separation is provided to employees.

Hazardous Waste	Non-hazardous Waste
<ul style="list-style-type: none"> Optimise the record of waste treatment Ensure safe and proper packaging of waste Ensure proper labelling of hazardous waste with signs and labels Reduce the storage time of flammable and explosive waste Maintain suitable storage environment, including ventilation, temperature and humidity Conduct regular inspection and training 	<ul style="list-style-type: none"> Maintain a record of waste handling Refine the waste segregation in facilities, separating into 3 levels Waste stored separately according to different types Conduct inspection to prevent any mixing of waste with other waste and company items

Hazardous Waste Management

Hazardous waste generated by the Group includes waste-cutting fluid, organic solvent, sludge and plastic. We have in place the Hazardous Waste Management Policy governing the management of the generation, collection, storage, utilisation and treatment of hazardous waste. We ensure that hazardous waste is separated from other solid waste and general waste, and is packaged, categorised, transferred and stored properly. We also perform daily inspections on hazardous waste classification and management procedures. In addition, we have appointed an accredited third-party hazardous waste handler to collect and manage hazardous waste in accordance with the Solid Waste Pollution Prevention and Control Law of the PRC and other related rules and regulations.

We also regularly test rainwater samples to ensure it is not contaminated by hazardous waste. Environmental professionals were invited to conduct on-site assessments at our plants to boost our hazardous waste management.

Reuse of Cutting Fluid	Reuse of Organic Solvent and Plastic Hose
<p>Our production process uses cutting fluid to cool and lubricate. To achieve green production and reduce the amount of hazardous waste produced, we have implemented a cutting fluid treatment and recycling system, which can remove impurities and oil, kill bacteria and manage the condition of cutting fluid, so that the cutting fluid can be reused.</p>	<p>The Group maximises the reuse of materials, as this can lower its operating costs and reduce the generation of hazardous and general waste. By reusing organic solvents, we can reduce organic solvent consumption by about 50%. We also reuse disposable plastic hoses, trays and other packaging materials.</p>

Achieving Zero Waste to Landfill

To achieve our target on waste diversion rate, we have continued to implement a Zero Waste to Landfill project at some of our factories according to the UL ECVP2799¹¹ standard. The Zero Waste to Landfill project endeavours to reduce waste generation at its source by reducing, reusing and recycling waste and maximising energy recovery from incineration. Data on waste reduction and recycling at our factories are monitored monthly to determine our performance on waste management.



¹¹ UL ECVP2799 refers to the Environmental Claim Validation Procedure for Zero Waste to Landfill, which is developed for validation of zero waste environmental claims at individual facilities. The facilities should send little or no waste for landfilling or incineration without energy recovery and achieve a landfill waste diversion rate of over 80%.



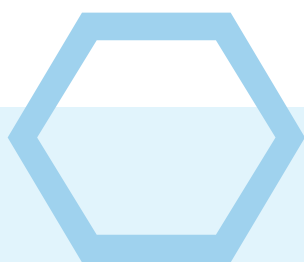
Waste Diversion Target

Maintain a minimum of 90% waste diversion rate at two major plants in Changzhou plants and achieve a 90% waste diversion rate in the Shenzhen plant in 2022

Progress in 2022:

Both plants have achieved the waste diversion rate of over 90%.

Landfilling & Incineration			100% Incineration
Preparation	Awareness Training	Enhance Waste Management	Zero Waste to Landfill
<ul style="list-style-type: none"> Condensed assessment to identify possible risks and rooms of improvement. Formulate an implementation plan for the project. 	<ul style="list-style-type: none"> Training was provided to the management team and employees to enhance their understanding on the “Zero Waste of Landfill” concept, and raise their awareness on waste sorting and recycling. 	<ul style="list-style-type: none"> Commenced on-site waste segregation project, including assigning areas for different waste. Constructed chemical storage warehouse in plant. Renovated the waste storage area to protect the waste from rain and wind. 	<ul style="list-style-type: none"> All non-recyclable waste is sent for incineration with energy recovery.



General Waste Management

General Waste is categorised into three categories, namely non-recyclable, recyclable, and food waste, and is managed by our Waste Management Procedures. Non-recyclable wastes, such as household garbage and construction debris, are handled by a third-party waste disposal company. Various recyclable wastes are sent to environmentally friendly agencies respectively for recycling, such as metals, papers, and plastics.



Reduction of Sludge



Residual sludge is generated during the wastewater treatment process in the casting production facility. To reduce the volume of wet sludge for disposal, a sludge dryer was used at the Shuyang plant to remove the water content of the sludge by evaporation. During the year, seven new sludge decompressor dryer and mechanical vapour recompression facilities were put into operation at the Kunshan plant. With these facilities operating in full capacity, it is expected to reduce around 40 to 60% of sludge for disposal in our production plants.

Recycling of Food Waste

Food waste, food oils and kitchen waste are collected and recycled for multiple purposes by a kitchen waste management company. Food oils are recycled for the production of biodiesel. After treatment and anaerobic digestion, food waste is used for electricity generation. General kitchen waste is collected and used as compost.

Reuse of Old Office Furniture

The purchase of office furniture is currently done by each region. Resources cannot be allocated to other regions or companies within a group, therefore some idle furniture cannot be fully utilised. After renovating the Shenzhen and Nanjing offices, there was approximately RMB196,000 worth of used office furniture at these sites. After a series of communications, Changzhou New Energy, one of the Group's plants, expressed interest in reusing the old office furniture.

Management of Hazardous Substances

Our dedication to the “Green Materials, Green Process, Green Products” philosophy necessitates sourcing and production of environmental-friendly and safe products, allowing us to completely protect the health and well-being of our employees, customers, and the environment.

The Group has in place a Hazardous Substance Management Regulation that specifies management methods, accountable parties, and a list of restricted hazardous substances. Every year, we update the list in compliance with the latest national and international laws and regulations, including RoHS¹², REACH¹³, California Proposition 65, as well as customers’ specific requirements in a timely manner, forming a stringent internal regulatory process.

Restricted Hazardous Substance List of the Group

Classification	Class I	Class II	Class III
	Substances restricted by RoHS	Substances restricted by national regulations or conventions other than RoHS	Substances concerned by the industry due to their environmental and health impacts
Response	Limited	Limited	Report and reduce
Number of items	8	100	15
Examples	<ul style="list-style-type: none"> • Cadmium and its compounds (Cd) • Lead and its compounds (Pb) • Mercury and its compounds (Hg) • Chromium VI and its compounds (Cr (VI)) • Polybrominated biphenyls (PBBs) • Polybrominated diphenyl ethers (PBDEs) • Phthalates • Halogen 	<ul style="list-style-type: none"> • Arsenic and its compounds (As) • Asbestos and its compounds • Antimony and its compounds (Sb) • Organic tin compounds • Other chlorine compounds • Per-and polyfluoroalkyl substances (PFAS) • Perfluorooctanoic Acid (PFOA)-related substances 	<ul style="list-style-type: none"> • Bismuth and its compounds • Barium and its compounds • Chromium III compounds • Rare-earth elements • Benzophenone • Mineral wool • Isocyanates

¹² Restriction of Hazardous Substances Directive, a directive on restriction on the use of certain hazardous substances in electrical and electronic equipment.

¹³ Registration, Evaluation, Authorisation and Restriction of Chemicals.

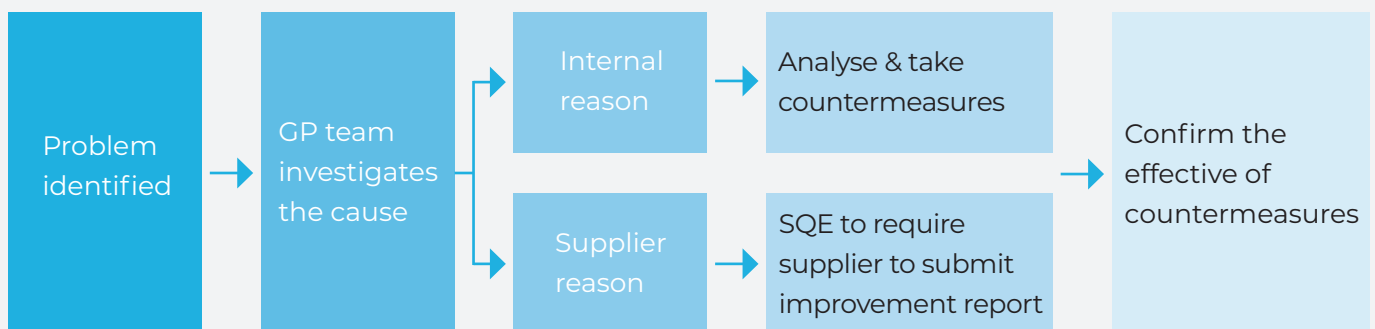
To ensure all suppliers comply with the Hazardous Substance Management Regulation, the due diligence process covers all suppliers. The GP Team conducts audits on suppliers' green products and hazardous materials management and also offers training to their employees. Suppliers are required to submit a number of documents to label their products with an environmental label to ensure that they have met all the requirements. All materials procured are checked with reference to the Restricted Hazardous Substance List by the GP Team before using the materials in production. The GP Team can also access all the information through the GSM system and trace the origins of the materials in case of any abnormalities.

Documents to be provided by Suppliers

1. Signed Commitment Non-use Hazardous Substance form
2. Third party test reports for hazardous substances
3. Suppliers' REACH Substances of Very High Concern (SVHC) survey
4. Material Safety Data Sheet (MSDS) or other material composition list
5. Conflict Mineral Survey and Declaration
6. Any other documents as required by customers

A non-conforming product control procedure and a recall product management procedure will be enforced if unqualified materials or products are used. Once unqualified materials or products are detected, the management is promptly notified to take containment measures in strict conformity with internal handling standards and the products are scrapped. All production stages are examined to identify the source of issues to make improvements in the future.

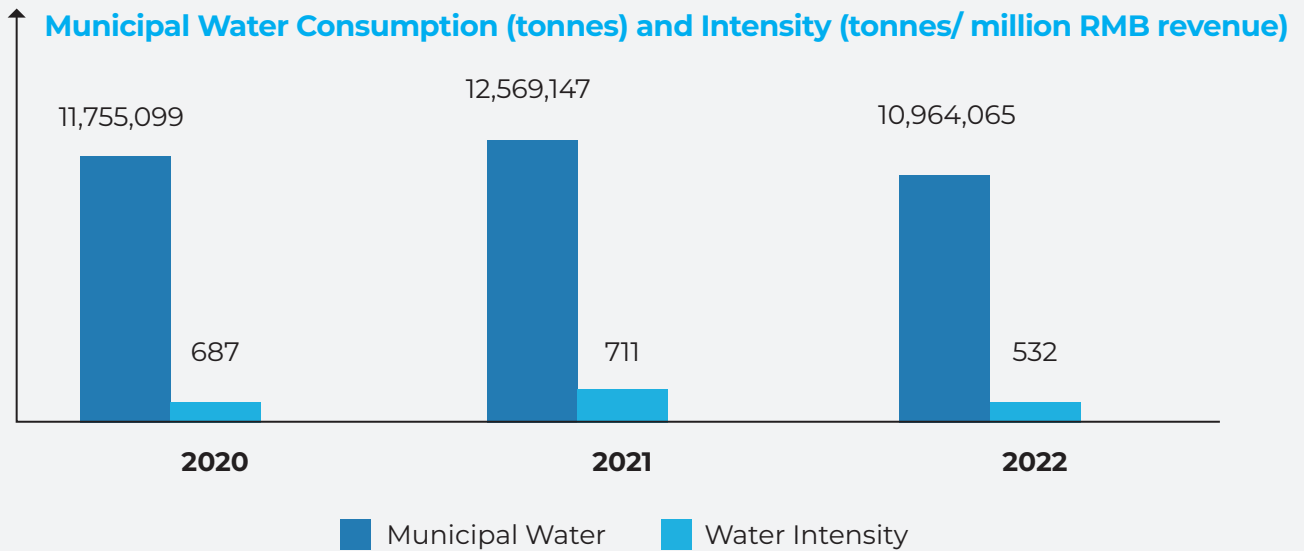
During the year, we did not receive any complaints about environmentally harmful substances.



Procedures for the Handling of Unqualified Environmental Substances

Water Conservation and Recycling

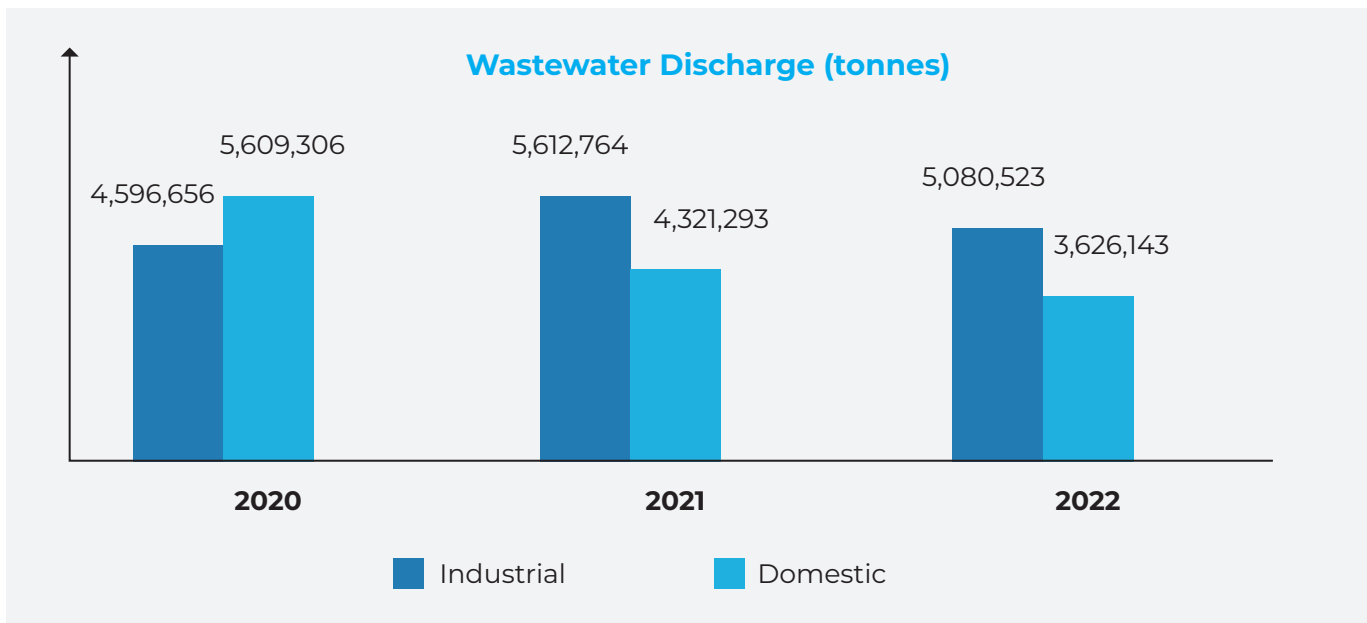
Water consumption of the Group is for industrial and domestic purposes. In 2022, the Group consumed a total of 10,964,065 tonnes of water, with a water consumption intensity of 532 tonnes per million RMB revenue. During the year, the Group did not experience any issue in sourcing water fit for the purpose.



Water-saving equipment has been installed in our washrooms, and we regularly examine water supply systems to reduce domestic water use. We have also adopted ultrasonic detection technology in order to detect leaks in underground water pipe networks and arrange immediate repairs if abnormalities are detected. Additionally, we continue to implement various water reduction or conservation initiatives, with an emphasis on ensuring that employees are trained on using water-saving technologies and the importance of conserving water on a daily basis. For example, domestic wastewater in one of our Changzhou factories is recycled by a water treatment company and the recycled water is reused for cooling and washing.

In 2022, the Group discharged a total of 8,706,666 tonnes of wastewater. Industrial and domestic wastewater is treated at on-site wastewater treatment plants and municipal treatment plants. To reduce the amount of wastewater generated, we treat it with electro dialysis evaporation technology. We have also completed testing on reducing wastewater through low-temperature heat pump evaporation. At our Shenzhen factory, permeate water and rejected water are recycled for domestic purposes. We aim at continuously increasing our water use efficiency and water recycling proportion. In addition, we invested RMB19.9 million this year in purchasing wastewater treatment equipment for our production facilities in Kunshan and Yangzhou.





The Reclaimed Water Treatment Facility in Kunshan

During the year, a reclaimed water treatment facility was built in Kunshan, which increased the reuse rate of reclaimed water from 45% to 75%.

Anode Waste Steam Heating Electromechanical Installation Project in Yangzhou Factory

Currently, the water vapour mixture generated after the heated anode in the Yangzhou factory is discharged directly into the rainwater pipe. The Group constructed an insulated water storage tank in December 2022, along with a constant pressure high temperature water pump system, to collect and convert water vapour mixture into energy. As soon as the mixture was collected from the storage tank, it was transported to 90 radiators installed in both Yangzhou factories (i.e. factory no. 1 and no. 2) to provide heating.

Electronic Device Carrier Project of Yangzhou Economic and Technological Development Zone

The building design incorporates green elements to process water discharged from the project. Each year, the project discharges 40,646 tonnes of water and the Group is committed to monitoring and ensuring the quality of drainage meets the corresponding standard requirements. For instance, an industrial wastewater regeneration and reuse system was established for wastewater collection, pipe network transmission, and reuse of equipment according to standards. High-performance and zero-leakage valves are also selected for draining and exhaust valves for better quality.



Water Consumption Target

Reduce total water consumption of all Changzhou plants by 3% in 2022

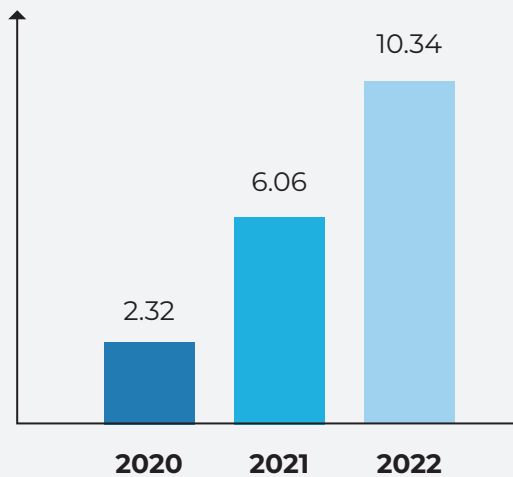
Progress in 2022:

The total water consumption of all Changzhou plants in 2022 reduced by 22% compared to 2021

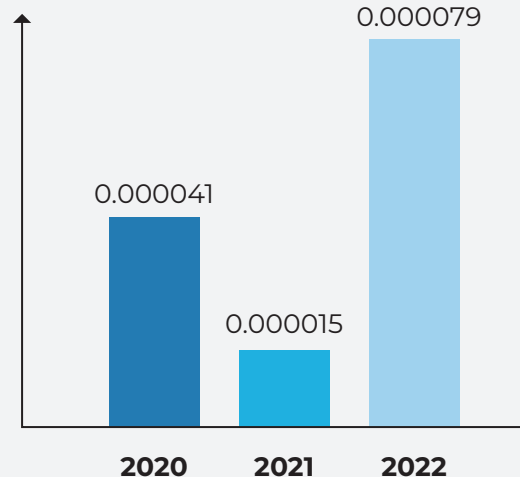
Reducing Emissions of Air Pollutants

While organic exhaust gas is generated during the bonding adhesive process, our operations produce welding fumes, though the amount is insignificant due to the nature of the miniature product. We also generate cooking fumes at our canteens and laboratory emissions. During the year, the Group emitted a total of 10.34 tonnes and 0.00008 tonnes of non-methane hydrocarbons and tin and its compounds respectively. Our production process does not involve the consumption of coal.

Non-methane Hydrocarbon (tonnes)



Tin and its Component (tonnes)



Audits of emissions of various pollutants are conducted regularly at our factories to ensure compliance with regulatory standards. Organic exhausts are treated by an exhaust treatment system, and we have in place facilities to treat cooking fumes and laboratory emissions. To reduce air pollution at operational sites, we continue to adopt exhaust treatment technologies and improve treatment efficiency. During the year, approximately RMB30 million was invested in building four air emission treatment towers in Yangzhou.



Transition to Greener Transportation

The Group provides shuttle buses for workers to commute to and from factories. As part of our effort to transition to a low-carbon operation, we are phasing out traditional fossil fuel-based shuttle buses and replacing them with electric shuttle buses powered by renewable energy. As a result of this transition, 38,694L of fuel was saved in the Group's factories in Shenzhen and Nanjing.

Community Care

AAC Technologies continues to engage with the local community to positively impact economic and social development. Contributing to charitable acts and good causes by participating in charitable events, providing employment and education opportunities, and responding to government policy are some of the ways we give back to the communities where we operate. The following are some examples of our community engagement during the year in Changzhou and Nanning, cities where we have a number of manufacturing bases.

Support the Local Community in Changzhou through Charitable Donations

To shoulder the corporate social responsibility, RMB1 million was donated to support the Changzhou community, the proceeds will go towards helping the disadvantaged in aspects such as education, medical services and poverty relief. As a result, we were recognised as one of the Caring Enterprises in Changzhou. While we continue to build our business, we have taken the initiative to assume social responsibilities and enhance the social value of our company.



Promoting Lei Feng Spirit and the Core Values of the Society

In March 2022, volunteers from AAC Technologies participated in a series of voluntary events in Wangu Village. The village and various government agencies jointly organised these events to celebrate the spirit of Lei Feng and help those in need. Our volunteers participated in various activities to revitalise the community, including cleaning the environment, planting trees, categorising waste and educating the local villagers to fight the pandemic.



Enhancing Nanning's Education, Rural Revitalisation, and Poverty Alleviation

Approaching the Mid-Autumn Festival, the Chamber of Commerce of the Nanning Economic and Technological Development Zone and the Chamber of Commerce of Nanning Jinjiang held events for two primary schools in Longchang Village and Tanbai Village respectively.

As a member of the Chamber of Commerce, AAC Technologies donated school bags, school supplies and sports equipment to these underprivileged primary school students. Also, we spoke with teachers and parents to understand the difficulties students face and the progress of the construction of the schools. As part of our effort to revitalise the district, monetary donations, mooncakes, rice, and oil were distributed to the villagers.



Recruiting from the Local Villages and Towns in Nanning City

Due to the large demand for general workers in villages and towns, we continue to recruit residents in towns and villages. Through our efforts, we have helped solve local employment problems and promoted local economic development.

Appendices

Performance Data Summary

The data summary provides statistical information on the Group's sustainability performance, which helps facilitate stakeholders' understanding and benchmark our environmental and social performance.

Workforce Demographics ¹⁴				
	Unit	2022	2021	2020
Total employees	Number	27,798	37,591	33,735
By Employment Type				
Full-time	Number	27,798 ¹⁵	–	–
Part-time	Number	0	–	–
By Geographical Distribution				
Changzhou	Number	13,416	17,816	15,100
Shenzhen	Number	1,391	1,639	1,896
Shuyang	Number	2,982	4,000	4,091
Suzhou	Number	1,443	2,027	887
Nanning	Number	3,672	6,427	4,160
Vietnam	Number	3,467	4,314	6,557
Overseas and other areas	Number	1,427 ¹⁶	1,368	1,044
By Age				
<30	Number	11,865	18,475	18,854
31-40	Number	12,892	15,804	12,650
41-50	Number	2,691	2,925	1,975
>50	Number	350	387	256
By Gender				
Male	Number	17,168	24,199	20,928
Female	Number	10,630	13,392	12,807
By Educational Background				
Degree or above	Number	15,321	18,525	16,537
High school or below	Number	12,477	19,066	17,198
By Employee Category				
Management	Number	2,185	2,169	1,960
R&D	Number	1,356	1,040	1,876
Technician	Number	2,524	5,267	2,459
Mechanics	Number	13,199	15,993	12,663
Operators	Number	8,534	13,122	14,777
By Employees Training				
Average training hours	Hours	14.0	20.5	13.4

¹⁴ Data marked with a symbol “-”, is not available in previous years, and new data collection to correspond to the updated HKEX, GRI, and other standards to provide additional information on our sustainability performance.

¹⁵ All employees are full-time and permanent employees.

¹⁶ Figures in Overseas and other areas include employee figures in other parts of Mainland China.

Health and Safety				
	Unit	2022	2021	2020
Investment in Safe Production	RMB'000	53,404	47,824	98,795
Major pollution/safety incidents	Number	0	0	0
Fire hazard	Number	0	1	0
Total Work-related Accidents	Number	85	105	97
Type A – Slight injury	Number	30	38	47
Type B – Minor injury	Number	54	67	49
Type C – Severe injury	Number	0	0	0
Type D – Fatalities ¹⁷	Number	1	0	1
Work-related injuries per 1,000 workers	%	2.53	2.79	2.88
Lost time injury frequency rate ("LTIFR") ¹⁸	%(Per million hours worked)	1.26	0.95	0.96
Lost days due to work-related injury	Days	2,903	3,734	3,005
Occupational disease cases	Number	0	0	0
Training on Occupational Safety and Health				
Total person - times training ¹⁹	Number	104,651	84,093	82,947
Total training hours	Hours	213,023	126,140	124,421
Percentage of workers trained	%	100	100	100
Parental Leave				
	Unit	2022	2021	2020
Employees entitled to Parental Leave				
Male	Number	647	–	–
Female	Number	740	–	–
Employees that took Parental Leave				
Male	Number	638	–	–
Female	Number	574	–	–
Employees Return to Work Rate ²⁰				
Male	%	98.1	–	–
Female	%	92.1	–	–
Employees Retention Rate ²¹				
Male	%	60.3	–	–
Female	%	36.5	–	–
Supply Chain Management				
	Unit	2022	2021	2020
Total number of suppliers	Number	506	310	339
By Geographical Region				
Hong Kong	Number	14	3	6
Mainland China	Number	475	290	320
Overseas	Number	17	17	13
Community				
	Unit	2022	2021	2020
Donation	RMB'000	1,480	1,451	880

¹⁷ During the year, a fatal traffic accident occurred outside our production plant site. One of our employees passed away after being struck by a private vehicle owned by a third party.

¹⁸ LTIFR is calculated based on the following formula: Number of lost time injuries in the year times 1,000,000 and then divided by Total hours worked in the year

¹⁹ Each employee may participate in training more than once.

²⁰ Return to work rate is calculated as total number of employees who did return to work after parental leave divided by total number of employees due to return to work after taking parental leave and then multiplied by 100%.

²¹ Employee retention rate on is calculated as the total number of employees retained 12 months after returning to work following a period of parental leave, divided by total number of employees returning from parental leave in the prior reporting period(s), multiplied by 100%.

Environment ^{22 23}				
	Unit	2022	2021	2020
Environmental Protection Expenditure	RMB'000	67,860	100,271	216,033
Total Resources Consumption				
Indirect Consumption				
Electricity	kWh	1,002,915,220	1,189,161,009	1,089,795,192
Direct Consumption				
Petrol and Diesel ²⁴	Kg	239,835	761,070	1,965,732
Natural Gas ²⁵	m ³	1,934,147	2,587,015	1,539,468
Coal	Tonnes	0	0	0
Total energy consumption	GJ	3,699,020	4,419,432	4,067,060
Total energy intensity	GJ per million RMB revenue	179	250	237
Water				
Water consumption	Tonnes	10,964,065	12,569,147	11,775,099
Water intensity	Tonnes per million RMB revenue	532	711	687

²² Environmental KPIs calculation methodology

Environmental KPIs stated in the report are calculated with reference to HKEX's "How to Prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs".

²³ Environmental data of the production facility in Chongqing, Kunshan and Yangzhou are newly included this year.

²⁴ Fuel oil represents petrol and diesel. For better clarity, fuel oil is renamed to petrol and diesel. This year, we sold a large number of trucks and shuttle buses and reduced the business shuttle bus services. Therefore, the use of petrol and diesel decreased significantly.

²⁵ Fuel gas represents natural gas. For better clarity, fuel gas is renamed to natural gas.

Environment				
	Unit	2022	2021	2020
Emissions				
Air Pollutant				
Sulphur oxides (SOx)	Tonnes	0.00469	-	-
Nitrogen oxides (NOx)	Tonnes	30.23	-	-
Particulate matter (PM)	Tonnes	2.35	-	-
Non - methane hydrocarbon	Tonnes	10.34	6.06	2.32
Tin and its compounds	Tonnes	0.00008	0.00002	0.00004
Waste				
Hazardous waste	Tonnes	12,012	20,383	13,708
Hazardous waste intensity	Tonnes per million RMB revenue	0.58	1.15	0.80
Non - hazardous waste	Tonnes	14,156	11,594	11,366
Non - hazardous waste intensity	Tonnes per million RMB revenue	0.69	0.66	0.66
Wastewater Discharge	Tonnes	8,706,666	9,934,057	10,305,962
GHG Emissions²⁶				
Total GHG Emissions	tCO ₂ e	598,341	744,143	741,666
Scope 1 ²⁷	tCO ₂ e	5,001	8,016	6,053
Scope 2 ²⁸	tCO ₂ e	593,340	736,127	735,613
Emissions intensity ²⁹	tCO ₂ e per ten thousand RMB revenue	0.29	0.42	0.43
Usage of Packaging Materials				
Carton	Pcs	4,397,577	4,214,308	4,552,960
Blister boxes	Pcs	60,263,931	84,183,346	71,804,936
Carrier tape	Meter	13,468,289	14,193,683	13,719,934
Carrier disc	Pcs	398,874	603,799	495,088
Packing belt	Rolls	664	7,645	2,265
Sealing paper	Rolls	789,642	1,127,430	1,003,387
Sealing paper	Square meter	317,390	160,768	132,597
Label	Pcs	34,720,853	46,070,560	45,646,289
Label	Rolls	12,166	87,045	-
Bubble Wrap ³⁰	Pcs	11,420	-	-
Bubble Wrap ³⁰	Meter	6,500	-	-

²⁶ GHG calculation methodology
GHG emissions calculations are referenced from the "Corporate Greenhouse Gas Emissions Accounting Methods and Reporting Guidelines Power - Generation Facilities (2022 revised edition)" published by the Ministry of Ecology and Environment of the PRC in 2022 and the "IGES List of Grid Emission Factors" published by The Institute for Global Environmental Strategies in 2021.

²⁷ Scope 1 emissions comprise CO₂, CH₄, and N₂O emissions from natural gases consumed and emissions from our private vehicles and medium trucks that run on petrol and diesel. The global warming potentials used for calculation are adopted from Intergovernmental Panel on Climate Change ("IPCC") Fifth Assessment Report.

²⁸ Scope 2 emissions are generated from the electricity consumed by AAC Technologies's major operations.

²⁹ Calculation of GHG intensity covers scope 1 and scope 2 emissions.

³⁰ These environmental data relating were newly included in our data collection system in 2022. Therefore, such data was not available in 2021 and 2020.

Awards and Recognitions 2022

Award / Recognition Received	Awarded to	Awarded by
Sustainability and Governance		
Best GRI Report - Commendation	AAC Technologies Holdings Inc.	Hong Kong ESG Reporting Awards 2022
Certificate of Excellence in Environmental, Social and Governance Reporting	AAC Technologies Holdings Inc.	Hong Kong Management Association
Corporate Governance Award-H-share Companies and Other Mainland Enterprises Category	AAC Technologies Holdings Inc.	Best Corporate Governance and ESG Awards 2022 Hong Kong Institute of Certified Accountants
Forbes World's Top Female Friendly Companies 2022	AAC Technologies Holdings Inc.	Forbes
Sustainable Corporate (Environmental) – Outstanding Awards	AAC Technologies Holdings Inc.	2022 Standard Chartered Corporate Achievement Awards
Socio-Economic Contribution		
2021 Specialised, Specialised and New SMEs in Jiangsu Province	AAC Optics (Changzhou) Co., Ltd.	Industry and Information Technology Department of Jiangsu
2022 Guangxi Smart Factory Demonstration Enterprise	AAC Optics (Nanning) Co., Ltd.	Industry and Information Technology Department of Guangxi Zhuang Autonomous Region
2022 Guangxi Top 100 Manufacturing Enterprises	AAC Technologies (Nanning) Co., Ltd.	Guangxi Enterprises and Entrepreneurs Confederation
2022 Guangxi Top 100 Manufacturing Enterprises	AAC Raytech Module (Nanning) Technologies Co., Ltd.	Guangxi Enterprises and Entrepreneurs Confederation
2022 Top 500 Chinese Manufacturing Private Enterprises	AAC Technologies Holdings Inc.	All - China Federation of Industry and Commerce
36 Kr WISE 2022 King of New Economy “Enterprise of the Year in Advanced Manufacturing”	AAC Technologies Holdings Inc.	36 Kr
A Model of Public Welfare and Charity	AAC Technologies Holdings Inc.	China Institute of Corporate Governance Shenzhen Rural Revitalisation and Collaborative Exchange Bureau Shenzhen Media Group Hong Kong Commercial Daily

Award / Recognition Received	Awarded to	Awarded by
Annual Most Valuable Investment Award	AAC Optics Co.,Ltd.	Shenzhen Camera Industry Association
Employer of the Year Award	AAC Optics Co.,Ltd.	Chaodian Smart Car
ESG Excellent Governance Enterprise	AAC Technologies Holdings Inc.	Futubull
Guangxi May 1st Labour Award	AAC Technologies (Nanning) Co.,Ltd.	Guangxi Zhuang Autonomous Region Federation of Trade Unions
“Micro Speaker/Receiver” (2022-2024) Single champion demonstration enterprise in the manufacturing industry	AAC Optoelectronics Technology (Changzhou) Co., Ltd	Ministry of Industry and Information Technology All-China Federation of Industry and Commerce
Most Valuable Unicorn Enterprise of the Year	AAC Optics Co., Ltd.	Guru Club
High-tech Enterprises	AAC Optics (Suzhou) Co.,Ltd.	Jiangsu Provincial Department of Science and Technology
The 7th Golden Hong Kong Stocks Awards “Best Hong Kong Stock Connect Company”	AAC Technologies Holdings Inc.	Zhitong Finance
Product Excellence		
2021 Best Delivery Award	AAC Optics Technologies (Shenzhen) Co.,Ltd.	vivo
2022 China Smart Car “TOP 100 Intelligent Connected Innovation Enterprise”	AAC Optics Co.,Ltd.	Gaogong Intelligent Vehicle Research Institute
2022 OPPO Core Partner Most Innovative Award	AAC Technologies Holdings Inc.	OPPO
2022 The 7th Lingxuan Award for Excellence in Electronics and Electrical Appliances	AAC Technologies Holdings Inc.	Auto Business Review China Society of Automotive Engineers
Annual Smart Car Technology Breakthrough Award	AAC Technologies Holdings Inc.	China Semiconductor Investment Alliance
The 5th Changzhou Patent Gold Award	AAC Optoelectronics Technology (Changzhou) Co., Ltd	Changzhou People’s Government



Memberships and External Initiatives

Organisations	Membership company
Changzhou Overseas Chinese Entrepreneurs Association	AAC Technologies Holdings Inc.
Changzhou Capital Market Industry Chamber of Commerce	AAC Technologies Holdings Inc.
China Electronic Components Association	AAC Technologies Holdings Inc.
China Semiconductor Industry Association	AAC Acoustic Technologies (Shenzhen) Co.,Ltd.
Federation of Shenzhen Industries	AAC Acoustic Technologies (Shenzhen) Co.,Ltd.
Shenzhen Hi - Tech Industry Association	AAC Acoustic Technologies (Shenzhen) Co.,Ltd.
Shenzhen Nanshan District Capital Market Association	AAC Technologies Holdings Inc.



Laws and Regulations

The Group strictly abides by relevant laws and regulations, including but not limited to the following:

Topic	Applicable laws and regulations
Environment	<ul style="list-style-type: none"> • The Environmental Protection Law of the PRC • The Law of the PRC on Environmental Impact Assessment • The Environmental Protection Tax Law of the PRC • The Law of the PRC on the Promotion of Clean Production • The Law of the PRC on the Prevention and Control of Water Pollution • The Regulation on Urban Drainage and Sewage Treatment • The Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste • The Administrative Measures for the Prevention and Control of Environmental Pollution by Electronic Waste • The Law of the PRC on the Prevention and Control of Air Pollution • Integrated Emission Standard of Air Pollutants
Employment	<ul style="list-style-type: none"> • Labour Law of the PRC • Labour Contract Law of the PRC • Provisions on the Prohibition of Using Child Labour • Law of the PRC on the Protection of Minors
Safety	<ul style="list-style-type: none"> • Production Safety Law of the PRC • Law of the PRC on the Prevention and Control of Occupational Diseases
Product Liability	<ul style="list-style-type: none"> • Tort Liability Law of the PRC • The Patent Law of the PRC • The Decision of the State Council on Further Strengthening of Protection of Intellectual Property • Cybersecurity Law of the PRC • The General Data Protection Regulations (EU)
Anti- corruption	<ul style="list-style-type: none"> • Criminal Law of the PRC • Anti-Unfair Competition Law of the PRC • Hong Kong Prevention of Bribery Ordinance



VERIFICATION STATEMENT

Scope and Objective

Hong Kong Quality Assurance Agency (“HKQAA”) was commissioned by AAC Technologies Holdings Inc. (“AAC”) to undertake an independent verification for the 2022 Sustainability Report (“the Report”). The Report stated the economic, safety, environmental and social performance of AAC for the period from 1st January 2022 to 31st December 2022 for its operations. This is the tenth report that AAC published to communicate its commitments, efforts and progress of performance towards sustainability.

The aim of this verification is to provide a reasonable assurance on the reliability of the report contents. The Report has been prepared in accordance with Appendix 27 “Environmental, Social and Governance Reporting Guide (“ESG Guide”)” of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited and with reference to the Global Reporting Initiative Sustainability Reporting Standards (“GRI Standards”).

Level of Assurance and Methodology

The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. Our evidence gathering process was designed to obtain a reasonable level of assurance as set out in the standard for the purpose of devising the verification conclusion. The extent of this verification process undertaken covered the criteria set in the GRI Standards and the ESG Guide.

The verification process included verifying the systems and processes implemented for collecting, collating and reporting the sustainability performance data, reviewing relevant documentation, interviewing responsible personnel with accountability for preparing the reporting contents and verifying selected representative sample of data and information. Raw data and supporting evidence of the selected samples were also thoroughly examined during the verification process.

Independence

AAC is responsible for the collection and presentation of the information presented. HKQAA is not involved in the collection and calculation of data or the compilation of the reporting contents where HKQAA’s verification activities were entirely independent from AAC. There was no relationship between HKQAA and AAC that would affect the independence of HKQAA for providing the verification service.

Conclusion

Based on the verification results and in accordance with the verification procedures undertaken, HKQAA has obtained reasonable assurance and is in the opinion that:

- The Report satisfies all the mandatory disclosure requirements and “comply or explain” provisions specified in the ESG Guide;
- The Report has been prepared with reference to the GRI Standards;
- The Report illustrates the sustainability performance of AAC, covering all material aspects, in a balanced, comparable, clear and timely manner; and
- The data and information disclosed in the Report are reliable and complete.

Nothing has come to HKQAA attention that the selected sustainability performance information and data contained in the Report has not been prepared and presented fairly and honestly, in all material aspects, in accordance with the verification criteria.

Signed on behalf of Hong Kong Quality Assurance Agency

Connie Sham
Head of Audit
March 2023

GRI and HKEX ESG Content Index

This Content Index includes references to KPIs of the GRI Standards and the HKEX ESG Reporting Guide.

Material Topics	Disclosure	HKEX ESG Guide	Report section	Page Number	Remarks
GRI 1: Foundation 2021*					
	Statement of use	-	The Group has reported with reference to the GRI Standards for the period from 1 January 2022 to 31 December 2022.		
GRI 2: General Disclosures 2021*					
2-1	Organisational details	-	About this Report	P.5	-
2-2	Entities included in the organisation's sustainability reporting	-	About this Report	P.5	-
2-3	Reporting period, frequency and contact point	-	About this Report	P.6	-
2-4	Restatements of information	-	There are no restatements.		
2-5	External assurance	-	-	P.83	Assurance Report
2-6	Activities, value chain and other business relationships	KPI B5.1	About this Report Sustainability at AAC Operational Excellence	P.5-7 P.8-24 P.25-35	There were no significant changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination.
2-7	Employees	KPI B1.1	Talent Management - Our Workforce	P.51-53	-
2-8	Workers who are not employees	-	Workers who are non-employees are not a majority of the worker population of AAC Technologies.		
2-9*	Governance structure and composition	-	Sustainability at AAC	P.8-24	-
2-10*	Nomination and selection of the highest governance body	-	-	-	Annual Report - Corporate Governance Report
2-11*	Chair of the highest governance body	-	-	-	Annual Report - Corporate Governance Report

* The disclosure is newly added with reference to the revised GRI Universal Standards 2021.

Material Topics	Disclosure	HKEX ESG Guide	Report section	Page Number	Remarks
GRI 2: General Disclosures 2021*					
2-12*	Role of the highest governance body in overseeing the management of impacts	-	-	-	Annual Report – Corporate Governance Report
2-13*	Delegation of responsibility for managing impacts	-	Sustainability at AAC	P.8-24	-
2-14*	Role of the highest governance body in sustainability reporting	-	Sustainability at AAC	P.8-24	-
2-15*	Conflicts of interest	-	Sustainability at AAC	P.8-24	Annual Report – Corporate Governance Report
2-16*	Communication of critical concerns	-	Sustainability at AAC	P.8-24	-
2-17*	Collective knowledge of the highest governance body	-	-	-	Annual Report – Corporate Governance Report
2-18*	Evaluation of the performance of the highest governance body	-	-	-	Annual Report – Corporate Governance Report
2-19*	Remuneration policies	-	-	-	Annual Report – Corporate Governance Report
2-20*	Process to determine remuneration	-	-	-	Annual Report - Notes to the Consolidated Financial Statements
2-21*	Annual total compensation ratio	-	-	-	Annual Report - Notes to the Consolidated Financial Statements
2-22	Statement on sustainable development strategy	-	Sustainability at AAC	P.8-24	-
2-23	Policy commitments	-	About this Report	P.5-7	-
2-24*	Embedding policy commitments	-	Sustainability at AAC – Materiality Assessment	P.13-14	-
2-25	Processes to remediate negative impacts	-	Sustainability at AAC – Ethics and Integrity	P.19-21	-

Material Topics	Disclosure	HKEX ESG Guide	Report section	Page Number	Remarks
GRI 2: General Disclosures 2021					
2-26*	Mechanisms for seeking advice and raising concerns	KPI B7.2	Sustainability at AAC – Materiality Assessment Sustainability at AAC – Ethics and Integrity	P.13-14 P.19-21	-
2-27	Compliance with laws and regulations	A1 GD B1 GD B2 GD B4 GD B7 GD	During the year, we were not subject to any significant fines or non-monetary sanctions due to non-compliance with relevant laws or regulations.		
2-28	Membership associations	-	Appendices - Memberships and External Initiatives	P.81	-
2-29	Approach to stakeholder engagement	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
2-30	Collective bargaining agreements	-	Talent Management - Labour and Employment Compliance	P.54-55	-
Material Topics	Disclosure	HKEX ESG Guide	Report section	Page Number	Remarks
GRI 3: Material Topics 2021*					
3-1	Process to determine material topics	A1 GD KPI A3.1	Sustainability at AAC - Materiality Assessment	P.13-14	-
3-2	List of material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
3-3	Management of material topics	B7 GD KPI B7.2 KPI B7.3	Sustainability at AAC - Materiality Assessment	P.13-14	-
GRI 201: Economic Performance 2016					
3-1*	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
201-1	Direct economic value generated and distributed	KPI 8.2	-	-	Annual Report - Notes to the Consolidated Financial Statements
201-2	Financial implications and other risks and opportunities due to climate change	A4 GD KPI A4.1	Managing Environmental Impacts - Climate Resilience	P.58-62	-

Material Topics	Disclosure	HKEX ESG Guide	Report section	Page Number	Remarks
GRI 201: Economic Performance 2016					
201-3*	Defined benefit plan obligations and other retirement plans	-	-	-	Annual Report - Notes to the Consolidated Financial Statements
201-4*	Financial assistance received from government	-	-	-	Annual Report - Notes to the Consolidated Financial Statements
GRI 205: Anti-corruption 2016					
3-1*	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
205-1*	Operations assessed for risks related to corruption	-	Sustainability at AAC - Ethics and Integrity	P.19-21	-
205-2*	Communication and training about anti - corruption policies and procedures	KPI B7.3	Sustainability at AAC - Ethics and Integrity	P.19-21	-
205-3	Confirmed incidents of corruption and actions taken	B7 GD KPI B7.1	During the year, there was no confirmed incident of corruption.		
Material Topics	Disclosure	HKEX ESG Guide	Report section	Page Number	Remarks
GRI 301: Materials 2016					
3-1*	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
301-1	Materials used by weight or volume	KPI A2.5	Appendices - Performance Data Summary	P.75-78	-
GRI 302: Energy 2016					
3-1*	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
302-1	Energy consumption within the organisation	KPI A2.1	Managing Environmental Impacts – Working towards Carbon Neutrality	P.62-63	-

Material Topics	Disclosure	HKEX ESG Guide	Report section	Page Number	Remarks
GRI 302: Energy 2016					
302-3	Energy intensity	KPI A2.1	Appendices - Performance Data Summary	P.75-78	-
302-4	Reduction of energy consumption	KPI A2.3	Managing Environmental Impacts Working towards Carbon Neutrality	P.62-63	-
302-5*	Reductions in energy requirements of products and services	KPI A2.3	Appendices - Performance Data Summary	P.75-78	-
GRI 303: Water and Effluents 2018					
3-1*	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
303-1	Interactions with water as a shared resource	KPI A2.2 KPI A3.1	Managing Environmental Impacts - Water Conservation and Recycling	P.70-71	-
303-2*	Management of water discharge-related impacts	KPI A3.1	Managing Environmental Impacts - Water Conservation and Recycling	P.70-71	-
303-3	Water withdrawal	KPI A2.2 KPI A2.4	Managing Environmental Impacts - Water Conservation and Recycling	P.70-71	-
303-4	Water discharge	KPI A2.2 KPI A2.4	Managing Environmental Impacts - Water Conservation and Recycling	P.70-71	-
303-5	Water consumption	KPI A2.2	Appendices - Performance Data Summary	P.75-78	-
GRI 305: Emissions 2016					
3-1*	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
305-1	Direct (Scope 1) GHG emissions	KPI A1.1 KPI A.1.2	Appendices - Performance Data Summary	P.75-78	-
305-2	Energy indirect (Scope 2) GHG emissions	KPI A1.1 KPI A1.2	Appendices - Performance Data Summary	P.75-78	-

Material Topics	Disclosure	HKEX ESG Guide	Report section	Page Number	Remarks
GRI 305: Emissions 2016					
305-4	GHG emissions intensity	KPI A1.1 KPI A1.2	Appendices - Performance Data Summary	P.75-78	-
305-5	Reduction of GHG emissions	KPI A1.2 KPI A.1.5	Managing Environmental Impacts - Climate Resilience	P.58-62	-
305-6	Emissions of ozone - depleting substances (ODS)	KPI A1.1 KPI A1.2	Appendices - Performance Data Summary	P.75-78	-
305-7*	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	KPI A1.1 KPI A1.2	Appendices - Performance Data Summary	P.75-78	-
GRI 306: Waste 2020					
3-1*	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
306-1	Waste generation and significant waste- related impacts	-	Managing Environmental Impacts – Waste Management	P.64-67	-
306-2	Management of significant waste-related impacts	KPI A1.3 KPI A1.4 KPI A1.6	Managing Environmental Impacts – Waste Management	P.64-67	-
306-3	Waste generated	KPI A1.4 KPI A3.1	Appendices - Performance Data Summary	P.75-78	-
306-4	Waste diverted from disposal	KPI A1.6	Appendices - Performance Data Summary	P.75-78	-
306-5*	Waste directed to disposal	KPI A3.1	Appendices - Performance Data Summary	P.75-78	-
GRI 308: Supplier Environmental Assessment 2016					
3-1*	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
308-1	New suppliers that were screened using environmental criteria	KPI B5.2 KPI B5.3	Operational Excellence - Suppliers' Management	P.33-35	-

Material Topics	Disclosure	HKEX ESG Guide	Report section	Page Number	Remarks
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GRI 308: Supplier Environmental Assessment 2016

308-2*	Negative environmental impacts in the supply chain and actions taken	KPI B5.2 KPI B5.4	Operational Excellence - Suppliers' Management	P.33-35	-
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Material Topics	Disclosure	HKEX ESG Guide	Report section	Page Number	Remarks
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GRI 401: Employment 2016

3-1	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
401-1	New employee hires and employee turnover	KPI B.2	Talent Management - Our Workforce	P.51-53	-
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	B1 GD	Talent Management - Striving for Employee Satisfaction	P.44	-
401-3*	Parental leave	-	Appendices - Performance Data Summary	P.75-78	-

GRI 403: Occupational Health and Safety 2018

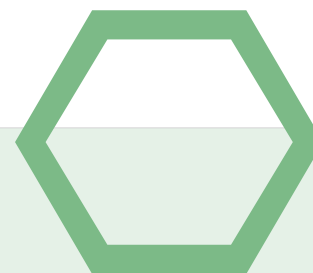
3-1	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
403-1	Occupational health and safety management system	KPI B2.3	Talent Management - Occupational Health and Safety	P.47-50	-
403-2	Hazard identification, risk assessment, and incident investigation	-	Talent Management - Occupational Health and Safety	P.47-50	-
403-3	Occupational health services	-	Talent Management - Occupational Health and Safety	P.47-50	-
403-4	Worker participation, consultation, and communication on occupational health and safety	-	Talent Management - Occupational Health and Safety	P.47-50	-
403-5	Worker training on occupational health and safety	-	Talent Management - Occupational Health and Safety	P.47-50	-

Material Topics	Disclosure	HKEX ESG Guide	Report section	Page Number	Remarks
403-6	Promotion of worker health	-	Talent Management - Occupational Health and Safety	P.47-50	-
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	-	Talent Management - Occupational Health and Safety	P.47-50	-
403-8	Workers covered by an occupational health and safety management system	-	Appendices - Performance Data Summary	P.75-78	-
403-9	Work - related injuries	KPI B2.1 KPI B2.3	Appendices - Performance Data Summary	P.75-78	-
403-10*	Work - related ill health	-	Appendices - Performance Data Summary	P.75-78	-
GRI 404: Training and Education 2016					
3-1	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
404-1	Average hours of training per year per employee	KPI B2.1 KPI B2.2	Appendices - Performance Data Summary	P.75-78	-
404-2	Programmes for upgrading employee skills and transition assistance programmes	B3 GD	Talent Management - Human Resources Collaboration Platform	P.37-39	-
404-3	Percentage of employees receiving regular performance and career development reviews	-	Currently, our human resources system does not capture or track such data. However, our employees do receive performance and career development reviews and feedback on a regular basis to aid their personal development.		

Material Topics	Disclosure	HKEX ESG Guide	Report section	Page Number	Remarks
GRI 405: Diversity and Equal Opportunity 2016					
3-1*	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
405-1	Diversity of governance bodies and employees	KPI B1.1	Talent Management - Our Workforce	P.51-53	-
405-2	Ratio of basic salary and remuneration of women to men	-	The same policies for remuneration and benefits apply to all employees, irrespective of gender, religion, origin, age, disability or sexual orientation. Due to confidentiality consideration, the ratio of basic salary and remuneration of women to men is unavailable for disclosure.		
Material Topics	Disclosure	HKEX ESG Guide	Report section	Page Number	Remarks
GRI 409: Forced or Compulsory Labour 2016					
3-1*	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	KPI B4.1 KPI B4.2	Talent Management - Labour and Employment Compliance	P.54-55	-
GRI 413: Local Communities 2016					
3-1*	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
413-1	Operations with local community engagement, impact assessments, and development programmes	KPI B8.1 KPI B8.2	Community Care	P.73-74	-
413-2*	Operations with significant actual and potential negative impacts on local communities	-	Community Care	P.73-74	-

Material Topics	Disclosure	HKEX ESG Guide	Report section	Page Number	Remarks
GRI 414: Supplier Social Assessment 2016					
3-1*	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
414-1	New suppliers that were screened using social criteria	KPI B5.2 KPI B5.3	Operational Excellence - Suppliers' Management	P.33-35	-
414-2*	Negative social impacts in the supply chain and actions taken	KPI B5.2 KPI B5.3	Operational Excellence - Suppliers' Management	P.33-35	-
GRI 416: Customer Health and Safety 2016					
3-1*	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
416-1*	Assessment of the health and safety impacts of product and service categories	-	Operational Excellence - Striving for Zero Defects	P.31-32	-
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	B6 GD	During the year, there was no incident of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services.		
GRI 417: Marketing and Labelling 2016					
3-1*	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
417-1*	Requirements for product and service information and labelling	B6 GD	Operational Excellence - Enhancing Customer Experience	P.26-27	-
417-2	Incidents of non-compliance concerning product and service information and labelling	B6 GD	During the year, there was no non-compliance incidents.		
417-3	Incidents of non-compliance concerning marketing communications	B6 GD	During the year, there was no non-compliance incidents.		

Material Topics	Disclosure	HKEX ESG Guide	Report section	Page Number	Remarks
GRI 418: Customer Privacy 2016					
3-1	Process to determine material topics	-	Sustainability at AAC - Materiality Assessment	P.13-14	-
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	B6 GD KPI B6.2	During the year, there were no complaints concerning breaches or losses of customer data.		



International Standards

We support United Nations Global Compact which is a set of 10 principles in the areas of human rights, labour, environment and anti-corruption. In addition, we also adhere to the following international guidelines and standards: International Labour Organisation Conventions; United Nations Guiding Principles on Business and Human Rights; ISO 14001 Environmental Management System; ISO 45001 Occupational Health and Safety System; ISO 50001 Energy Management System; Electrotechnical Commission Quality Assessment System for Electronic Systems (IECQ) QC 080000 and UL2799 Environmental Claim Validation Procedure for Zero Waste to Landfill.

United Nations Global Compact 10 Principles		Location in this report
Human Rights		
Principle 1	Business should support and respect the protection of internationally proclaimed human rights; and	P.33-34, 44, 54
Principle 2	Make sure that they are not complicit in human rights abuses.	P.33-34, 44, 54
Labour Standards		
Principle 3	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining;	P.55
Principle 4	The elimination of all forms of forced and compulsory labour;	P.55
Principle 5	The effective abolition of child labour; and	P.55
Principle 6	The elimination of discrimination in respect of employment and occupation.	P.55
Environment		
Principle 7	Business should support a precautionary approach to environmental challenges;	P.58-72
Principle 8	Undertake initiatives to promote greater environmental responsibility; and	P.58-72
Principle 9	Encourage the development and diffusion of environmentally-friendly technologies.	P.58-72
Anti-corruption		
Principle 10	Business should work against corruption in all its forms, including extortion and bribery.	P.19-20