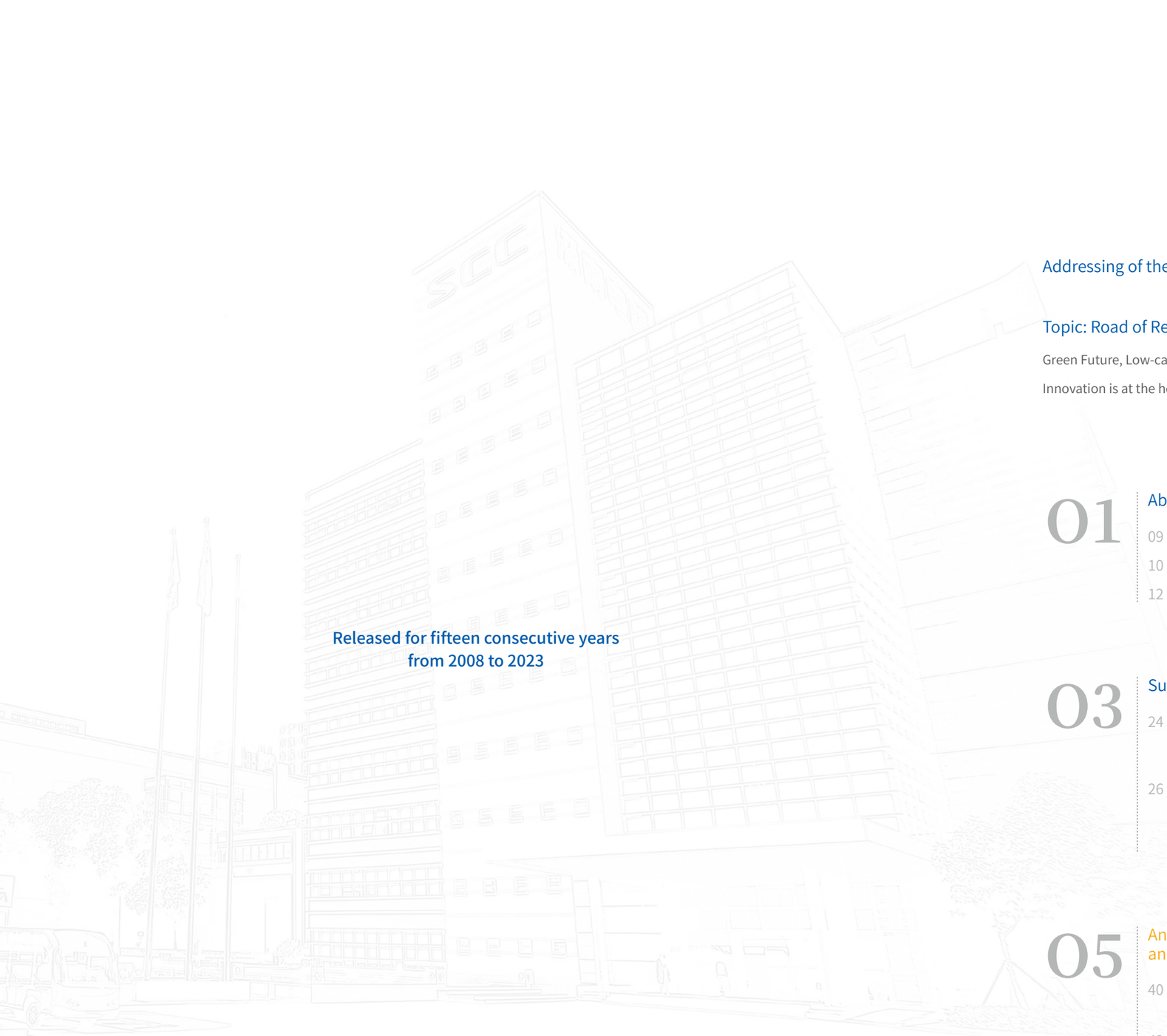
SCC 深南电路

ESG & CSR

GREEN FUTURE
LOW-CARBON CONNECTION

2022

Sustainability (and ESG) Report



Released for fifteen consecutive years from 2008 to 2023

CONTENTS

This document is printed with environment-friendly recycled paper.

Addressing of the Management Team

Green Future Low-carbon Connection

As the signs and impacts of human-induced climate change intensify, such as record-breaking heat, droughts, floods, etc., extreme weather formed by abnormal climates swept the world in 2022, highlighting the urgent need for action to address climate change. Meanwhile, even though there are still significant political, economic, and social uncertainties on a global scale, the integration of the digital economy and the real economy continues to deepen. The world of today is marked by changes in a century, and we can see parts of a sustainable future. On the one hand, the digital world reshaped by the Internet of Everything is becoming clearer, and the deep integration of the digital economy and the real economy has promoted the development of digital industrialization and industrial digitization. On the other hand, the sustainability of products and services has become an increasingly crucial consideration for business development. While actively addressing challenges and risks, SCC is also constantly thinking about and exploring the road to future sustainable development.

The progress of the times is relevant to every organization and individual. Whether it is digitalization or low-carbon environmental protection, continuous innovation is inseparable. As a market leader in electronic circuit technology and solution integration, SCC is acutely aware of the fundamental role that the electronic circuit industry plays in building a digital world. To assist customers in realizing a richer application ecology, we take it upon ourselves to proactively establish an agile and reliable connection between customer needs and application scenarios. Throughout the entire life cycle of design, R&D, procurement, production, and service, the Company strives to provide customers with lower-carbon and more environmentally friendly products and solutions through continuous innovation. In 2022, while the Company continues to provide customers with high-quality electronic interconnect products, the sustainability of products and services will continue to improve. For the first time, SCC Nantong passed the verification certification of the carbon footprint of its customers' products. The Company also benefits from the technology while supporting the green development of the digital world. The increasing maturity of various digital technologies also feeds into the development of SCC, enabling the business to enhance its production effectiveness, product quality stability, and environmental friendliness.

As the global green development continues to deepen, low-carbon and environmental protection development modes have evolved into crucial paths for business development. The Company sets the "2025 Emissions Target" in accordance with the national strategy of "carbon peaking and carbon neutrality" and is making every effort to meet this goal. The Company uses a multi-temperature gradient supply solution for the cold and heat sources in the Wuxi Substrate Phase II plant's construction. When the carbon emissions from the increased electricity portion as a result of the energy system renovation are subtracted, it can save 18,700 tons of steam use annually, which equates to a reduction of 1,825 tons of CO2 emissions per year. Future construction of the Company's Guangzhou and Pingxi projects will be further optimized based on the Phase II energy system of the Wuxi Substrate, which is anticipated to produce greater benefits. In 2022, the Company officially established the Carbon Emission Promotion Management Committee. It continues to strengthen long-term, systematic exploration and practice in low-carbon development, contributing to the achievement of the world's and China's "carbon peaking and carbon neutrality" goals. The Company has reduced carbon emissions by more than 6,200 tons in the past year through an energy-saving and technology innovation project alone.

The ultimate purpose of low-carbon development is to provide a healthy and comfortable living space for people. Green Future for people is the pursuit of a healthier and happier lifestyle. SCC is committed to providing a safe and healthy working environment for every employee. In 2022, the Company organized a training on "Caring Leadership" for first-line managers for the first time in order to put the idea of employee care into better practice. The Company continues to improve the caring abilities of first-line managers and provide a warmer organizational atmosphere for the vast number of hardworking employees at SCC.

In 2023, risks and challenges still remain in long way, but SCC is confident it can keep improving its sustainable development. We will work together with stakeholders to create a greener and healthier future through a lower carbon connection.

"Wuxi Substrate Phase II is not only the company's breakthrough in high-end IC substrates, but also another milestone in the company's exploration of low-carbon factories."

Green Future Low-carbon Connection

In the end of 2022, the heat wave of the Qatar World Cup swept the world. In addition to the fierce and wonderful performance on the pitch, the colleagues in the East China Administrative Property Group also focused on the topic of breaking the circle of the tournament organizer's low-carbon technology "hard work".

"Is there a new energy-saving technology?" "Can this low energy consumption technology be applied to the company?" "What was the final benefit of the previous skill improvement project? Is it consistent with reaching the expected goal?" At some point, such a topic has become a "professional habit" of the property group in charge of energy management in SCC. Especially in September 2020, after China's carbon peaking and carbon neutrality goals were formally proposed, SCC also formally put forward the goal of "2025 Emissions Target" in its green development vision, that is, the carbon emissions of comprehensive added value of 10,000 RMB in 2025 should be reduced the emission by more than 30% on the basis of 2020.

In SCC, the property group is one of the main management organizations for SCC's energy management and plays an important role in the company's strategy of green and low-carbon development. Engineers in various positions, such as infrastructure, HVAC, and carbon emissions, have sped up their efforts in order to meet the "2025 Emissions Target" set by the Company.

Liu Jiaming is an HVAC engineer in East China's administrative property group. He said the electronic circuit industry's production process has special requirements for the environment. Different production environments have different requirements for temperature, from 7 ℃ low temperature supply chilled water to 150 ℃ high temperature industrial steam, with a huge temperature difference range. Electricity and steam essentially control cooling and heating. The energy efficiency level of the energy supply structure is significant for the achievement of low-carbon development goals.

He and his team spent many years analyzing the company's production and operation data and discovered that, in addition to the demands for lighting, special gas, and machinery, the majority of the energy used in the production of electronic circuits will be used for high- and low-temperature cooling and heating. The traditional solution is a demand-based configuration. Low-temperature cold demand is usually supplied in the form of electric cooling energy , while heat demand is supplied by high-temperature saturated steam or electricity. This process will generate a lot of waste heat. After years of development, the energy supply structure of SCC has changed from a single temperature gradient supply of cold and heat resources to a multi-temperature gradient supply of cold resources. The chilled water system is supplied in gradients, which greatly improves the energy efficiency of the chilled water system, and part of the waste heat is heated by parts of the process and domestic water through the waste heat recovery system, which has achieved better results in the construction of Wuxi Substrate Phase I.

"Is it possible to go further?" Although the company's energy-saving technology has always been at the leading level in the industry, this question has always lingered in the minds of the company's HVAC engineers.

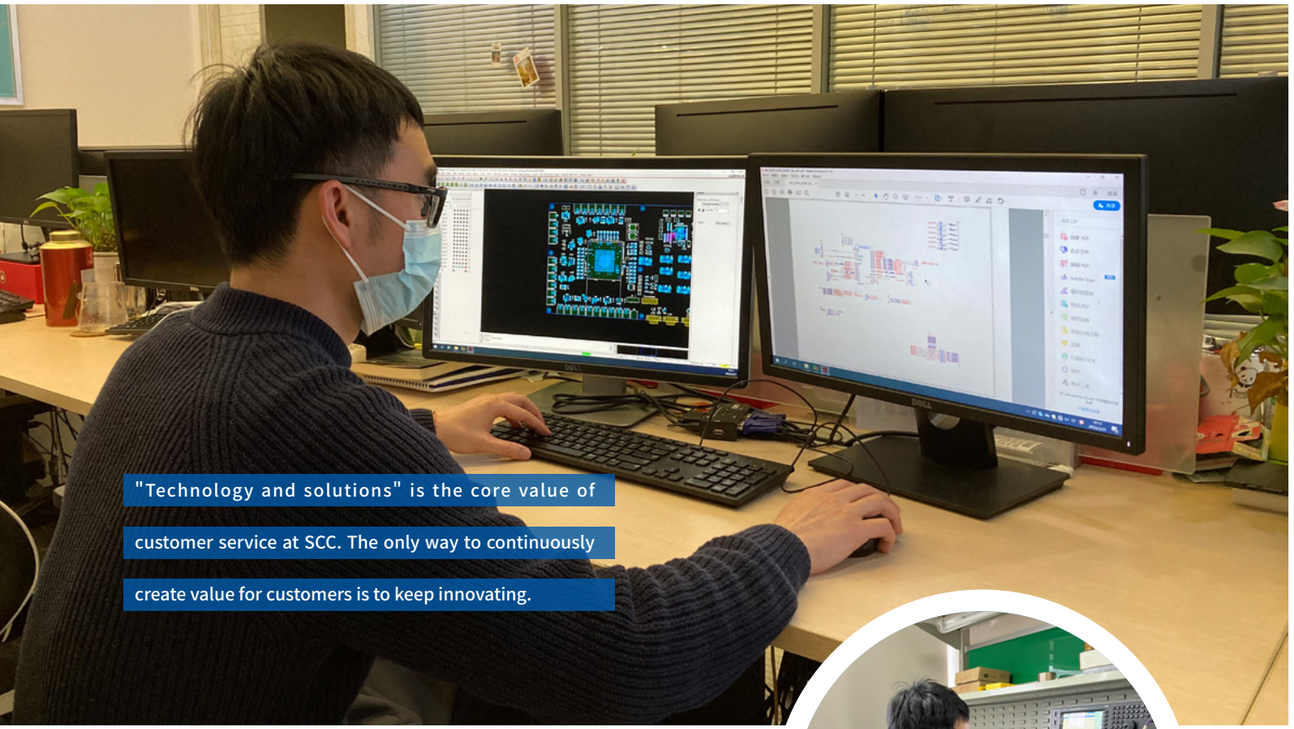
With this question in mind, the team turned their attention to the higher-end manufacturing companies and the cutting-edge energy management systems in the electronics industry. After research and study, Liu and his team received good news and bad news. The good news is there are related technologies that can solve this problem. However, the bad news is that the energy management system is highly customized and highly relevant to the needs of each production line, and there is no proven solution to learn from. The team needs to develop their own solution.

Faced with the questions of "how to develop a solution" and "whether the new system will be better or worse than the current one", no one could give an answer. The director of the East China Administration Department, Wang Zhijun, cheered everyone up and said since others have realized the technology, it proves that there is no problem with the direction. As for the solution and how to implement the new system, don't just think about it; we must speak with facts and numbers.

During that time, Liu Jiaming and his team were immersed in the company's factory construction data for many years. They constantly analyzed the demand for heating, cooling, and dehumidification scenarios in different process flows such as electroplating, solder resist, surface finishing, and graphics, and discussed the feasibility of the program with the infrastructure and factory. Finally, they proposed a multi-temperature gradient supply scheme for cooling and heat sources, a low-temperature freezing water supply scheme, and the use of cooling waste heat for hot water production for air conditioning. The solution also designed a dual mode for low-temperature frozen water in both winter and summer, with low and medium-temperature water production capacities under the condition of no dehumidification demand, further enhancing the energy efficiency of refrigeration equipment operation. A heat pump with a graded solution that can also produce medium-temperature chilled water is used in the process to provide hot water. It saves electricity and lessens the load on the refrigeration equipment.

"Wuxi Substrate Phase II is not only the company's breakthrough in high-end IC substrates, but also another milestone in the company's exploration of low-carbon factories." Looking at the data from Wuxi Substrate Phase II, Liu Jiaming was very excited. Although it is still in the capacity-climbing stage and far from reaching the peak operating data of the energy system, the monitoring data shows that the overall improvement is still considerable. "After the completion of the ramp-up of production capacity, the energy efficiency of Wuxi Substrate Phase II is expected to nearly double, and 18,700 tons of steam can be saved every year. After deducting the carbon emissions of the power part due to the transformation of the energy system, it can be converted into an annual reduction of 1,825 tons of carbon dioxide emissions. In addition to hardware upgrades, an intelligent control system has been implemented in the software. The new control logic, in conjunction with cutting-edge innovations in big data, blurry control, and genetic algorithms, strongly ensures the reliable and effective operation of multiple systems."

In the future, with the continuous increase of the proportion of clean energy in the company, the carbon emission factor of electricity will gradually decrease. The project will achieve further results in carbon emission reduction, and the construction experience of the project will also become a valuable asset for the continuous improvement and exploration of SCC's low-carbon factories.



Innovation is at the heart of sustainable products and services

"Technology and solutions" is the core value of customer service at SCC. The only way to continuously create value for customers is to keep innovating.

Last year, Yang Yang, a hardware development engineer in the R&D department, received a relatively urgent request from a customer. After initial communication, he understood that the customer's PCB board needed to be designed quickly and put into production immediately. The design cycle given by the customer was only 5 days. According to the complexity of this PCB, Yang Yang and his team felt that the time was too tight. After further understanding the customer's design and functional requirements for the PCB, the first thought that came to his mind was this was impossible!

According to the conventional design method, the design cycle for this board is at least 1 month. If there are subsequent modifications and adjustments, the workload will increase. The customer sincerely told Yang that he had contacted several suppliers before, but they all thought that this project was impossible. With SCC's leading technology in the industry, he found us and hoped we could think of a resolution.

Looking at the customers' tired but hopeful expressions, Yang and his team must have had a hard time in their hearts. "Customer-oriented" is the commitment of SCC. How can we be afraid to give it our best try when our customer is in trouble? But it was very challenging to implement the project's requirements. We had no idea at the time, and there was no way to immediately give the customer a positive commitment.

After meeting with the client, Yang and his team sat down together again to reorganize and discuss the project. There are three main difficulties with this board. First, there are too many circuit components, which overloads the design computer. This tends to cause computer lag and affect design efficiency. Second, there are more than 1,000 duplicate circuit modules, each of which contains several devices. If the client follows the conventional schematic design, it may lead to disorderly component numbering, which is not conducive to the layout of components on the PCB and organizing the bill of materials. Third, there are too many repetitive circuit modules, and the design software is limited by its own copy function, which is inefficient.

The first problem is relatively easy to solve. Someone in the team proposed a solution: changing the PCB design software settings to reduce the load on the computer which can reduce the probability of stuttering.

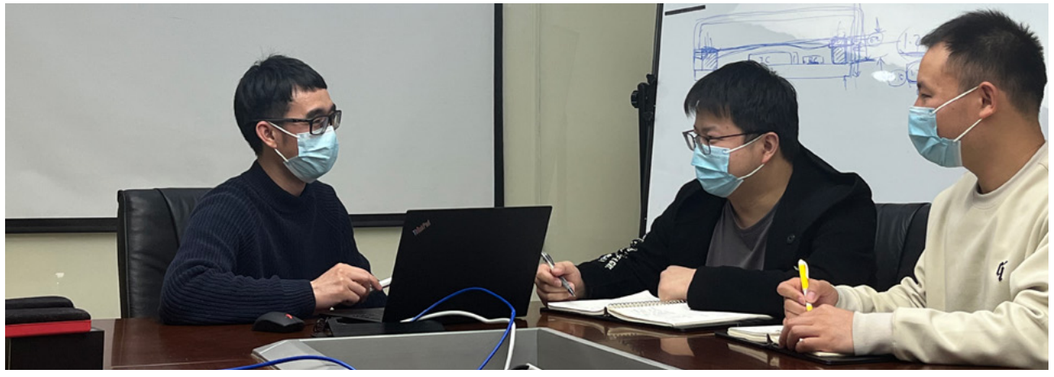
The second issue is that using the power of SCC alone to finish the complex layout in such a short amount of time is extremely challenging, and if something goes wrong, the workload will increase once again. If it can't be solved on the back end, can we consider synchronization on the front end? With such a bold idea, someone in the team came up with another one. At the schematic design stage, we assist the client in designing in accordance with the SCC solution so that the component numbers are arranged in accordance with predetermined guidelines. By doing this, the efficiency of the subsequent PCB layout will be greatly increased, while the arrangement of the bill of materials will remain unaffected.

The third question seems the easiest but it is in fact the most difficult. Because it is time-consuming hard work. How can we dramatically improve efficiency when the software replication function cannot be changed? Yang and the team came up with several ideas together, all of which were rejected one by one during the discussion. Such a result made someone in the team couldn't help but spit out a sentence: " It's really not something a human can do!" Unexpectedly, it was this sentence that made Yang's brain flash: "It’s not something that humans can accomplish, so let’s not try a way of human being." The youngsters were taken aback by his sudden idea. "What is the best at doing repetitive work with a high accuracy rate at work?" Yang's thinking became clearer and clearer as he explained to his colleague, "It's the program! Couldn't we consider programming the underlying data processing, which in turn would improve layout efficiency?"

With the solution in hand, Yang reported the solution idea to the client, and at the same time asked his colleagues to start the verification of improving layout efficiency through programming. The client who had no hope at first was impressive after hearing our proposal and was willing to give it a try.

Although the idea is good, in the actual operation, the team still encountered a lot of difficulties. During the 5-day design cycle, the team communicated with the client about the arrangement rules of the schematic design while continuously optimizing the procedures to assist the PCB design. Although the brainpower was severely overloaded, when everyone delivered the completed PCB design to the customer, the customer's eyes were full of joy, which made the whole team feel that the multi-day effort was worth it.

For many engineers at SCC, such a scene may be just one of countless days and nights. It is not as wild as many people imagine, nor does it provide a major boost to the development of human society. It simply keeps solving one big or small problem faced by clients. But it is the innovative practice of realizing product application for clients time and again that constitutes the core of sustainable products and services at SCC.



01
ABOUT SHENNAN

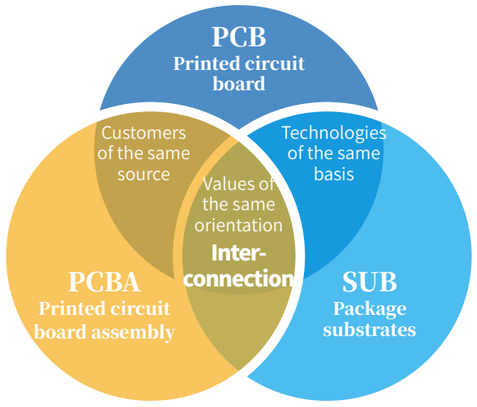
Company profile

SCC specializes in the field of electronic interconnection, adheres to a customer-oriented, technology-driven philosophy, and is committed to "being a world-class electronic circuit technologies and solutions provider". It is engaged in three businesses: PCB, SUB, and PCBA, which makes it a leading enterprise in the PCB industry, a pioneer in the SUB industry, and an advanced enterprise in the PCBA industry in China. The Company is headquartered in Shenzhen, Guangdong Province, China, with major production sites in Shenzhen, China; Wuxi and Nantong, Jiangsu Province; and Guangzhou, Guangdong Province (under construction). The Company's products are widely used in communications, data centers, industrial control, medical, automotive electronics, and other fields. It has established long-term and stable strategic partnerships with the world's leading communications equipment manufacturers and medical equipment manufacturers.

Corporate culture

Since 2007 when SCC systematically explored and constructed its corporate social responsibility, it has let the initiative of sustainable development into the cultural gene of "Home of Hearts and Chips". Its vision has changed from" build a world-class PCB enterprise" to "build a world-class electronic circuit technology and solution integrator". It has further defined the focus on electronic circuit field and the "persistent" and "innovative" pursuit of providing customers with first-class products and services" and the "win-win" concept of "build the Home of Hearts and Chips". In July 2011, it first released a complete set of cultural concept system in order to pass on its cultural gene to all its members.

With the Company's multi-business, multi-region and international development, the change of employee scale and intergenerational change, as well as the change of internal and external environment. In February 2019, the company launched the sorting out of the cultural concept system. After interviews and research, mid-level and high-level workshops, and in-depth research and improvement of key projects, the connotation of the company's mission and vision has been reinterpreted, and new connotations have been injected into the corporate values, through "create and share together". With the full involvement and participation of employees, the new cultural system of the Company embodies the achievements for years of SCC in social responsibility, emphasizes the interconnection, mutual creation and sharing of the Company with customers, partners, environment, community and other stakeholders.



SCC "3-In-One" strategy

Mission

Create happy customers and employee relationships

Vision

To be the world-class provider of electronic circuits technology and solutions

Core values

- ◇ Customer Focused
- ◇ Entrepreneurial
- ◇ Continuously Improve
- ◇ Responsive
- ◇ Supportive

Sustainable development performance

		2022	2021	2020
Business performance	Operating income (100 million yuan)	139.92	139.43	116
	Total profit (100 million yuan)	17.20	16.09	16.06
	Net profit (100 million yuan)	16.40	14.81	14.31
	Total tax payment (100 million yuan)	3.03	3.25	3.43
	RD investment (100 million yuan)	8.20	7.82	6.45
Returns to shareholders	Net profit attributes to parent company (100 million yuan)	16.40	14.81	14.30
	Cash dividend for each 10 shares (yuan)	10.00（预案）	9.5	9.5
	Total cash dividends (100 million yuan)	5.13（预计）	4.87	4.65
	Proportion of cash dividends in net profit	31.28%	32.91%	32.51%
Green performance	Energy consumption per 10,000 yuan of comprehensive output value (year-on-year rate of change)	10.44%	-1.43%	16.75%
	Energy consumption per 10,000 yuan of comprehensive added value (year-on-year rate of change)	-4.51%	-7.12%	12.02%
	Carbon emission intensity	1.18	1.31	1.40
	Carbon emission reduction (tCO2e) for energy saving retrofit	6,233	4,929.08	2,603
	Change in recycled water consumption (10,000 tons)	205.19	239.76	258.98
	Volume of waste liquid produced in outer production area	-5%	-37%	-28%
Social performance	New jobs provided (post)	-1,300	2,917	1,428
	Execution rate of labor contracts	100%	100%	100%
	Social insurance coverage rate	100%	100%	100%

Note 1: The Company used less recycled water in 2022 because of the ongoing downward trend in total water consumption. In fact, utilization of recycled water rate has slightly increased up to 31.17% from the prior year.
Note 2: In 2022, the Company kept improving its employment model in order to meet its own employment demand. The efficiency of production operations has increased along with the company's deeper digital construction, and the demand for personnel in some front-line positions with high mobility has decreased.

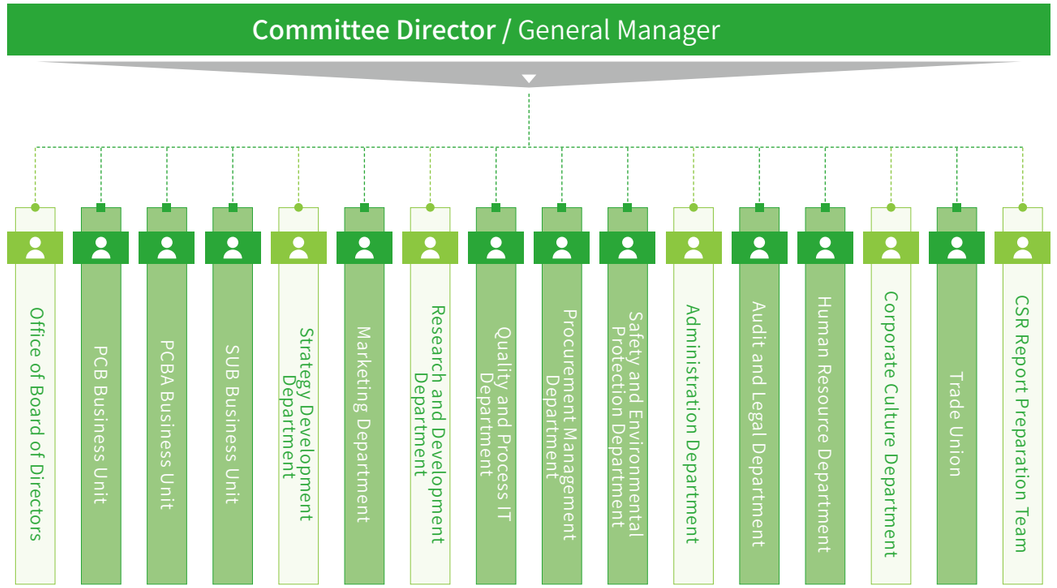
02

SUSTAINABLE DEVELOPMENT MANAGEMENT

In 2007, with the rise of CSR in China, and the introduction of international customers of the Company, SCC was fortunate to have the early consciousness of the systematic social responsibility concept, and started to systematically fulfill its social responsibility, put forward to the social responsibility concept of "harmony, innovation, growth", and integrated the fulfillment of its social responsibility into the Company's sustainable development strategy. In July 2016, the Social Responsibility Management Committee of SCC was formally established. The Committee upgraded the original environment, health, safety (EHS) management system based on ISO14001 and OHSA18001 to the social responsibility management system by incorporating the systems of SA8000, RBA (formerly EICC), ISO50001, etc. for the labor, business ethics, supply chain management requirements, and further expanded the insight and extension of the Company's social responsibility management. The Social Responsibility Management Committee put forward the social responsibility policy of "being the first to practice, playing an active role, and building a home of hearts and chips" to closely link the social responsibility management concept with the corporate mission and vision.

SCC CSR Committee

In the past 16 years, SCC has constantly explored, positively practiced, gradually fulfilled its social responsibility throughout the whole process of production and management, and has formed the mature mode of the leadership in leading the group and the cooperation from departments and business modules, thus providing strong support for the systematical promotion of social responsibility practice to ensure the corporate strategic management meets the requirements of sustainable development. In 2022, the company further improves the content and management scope of sustainable development based on sustainable development needs, stakeholder feedback, and actual work responsibilities.



Newly covered organizations under management

Sustainable Development Goals (SDGs)

In the blueprint of SCC's mission and vision, "Home of Hearts and Chips" is a platform for the interconnection, co-existence, co-creation and sharing of SCC with customers, employees, partners, environment, community and other stakeholders. SCC actively undertakes and fulfills the social responsibility requirements of globalization. Taking into account its business strategy, ESG-related requirements, and the 17 UN Sustainable Development Goals, the company has created a social responsibility action plan with a focus on "providing a sustainable connectivity foundation for the Internet of Everything" (SDGs). The goal is to achieve harmonious development of business, society, and the environment.

In 2022, the impact on the global economy, society and environment has further intensified due to the intense conflicts in the international political and economic spheres. The electronic information industry has greater challenges in the supply of production factors, cost management, and logistics delivery. SCC continued to fulfill its social responsibility in three dimensions, i.e., "Sustainable Products and Services", "Green and Low Carbon Development" and "Connected and Symbiotic Future", and cooperated with all stakeholders to overcome difficulties and jointly connect a better future.

● Green operation

We are committed to enhancing the efficiency of resource utilization and reducing greenhouse gas and waste emissions across all aspects of SCC business operations

● Green industrial chains

Work closely with the upstream and downstream of the industrial chain to collaboratively solve the sustainability issues of the industry development.

Green and low-carbon development

Sustainable Products and Services

● Delivering sustainable products and services for a connected world through continuous innovation

◎ SCC will explore future-oriented electronic interconnection technologies based on customer demands through continuous innovation, and provide customized solutions and a one-stop service platform, to meet personalized and scenario-based requirements.

◎ We strive for continuous innovation in order to offer our customers environmentally friendly products and solutions throughout the entire lifecycle, design, research and development, procurement, production, and service.

● High-quality products and services to help customers continue the development of product applications

We cultivate a culture of prioritizing quality among all staff, putting customer needs first. By leveraging digital technology, we deepen our quality management efforts and provide sustained quality assurance through high-quality products and services, promoting our customers' product applications.

An interconnected and symbiotic future

● Standardized governance

SCC continuously standardizes corporate governance, promptly and accurately discloses business information, and protects the interests of shareholders.

● It adheres to business ethics and operate in compliance with regulations

It strictly abides by business ethics, opposes corruption, dumping and monopoly, abides by laws and regulations, and operates with integrity.

● People-oriented, empowering employee growth

It adheres to people-oriented, protect the interests of its employees and makes employees' value achieved.

● Safety first

It adheres to people-oriented and provides employees with a safe and healthy working environment.

● Giving back to the society

Participate in global sustainable development and make positive contributions to countries and communities where the operations are located.

Communications with stakeholders

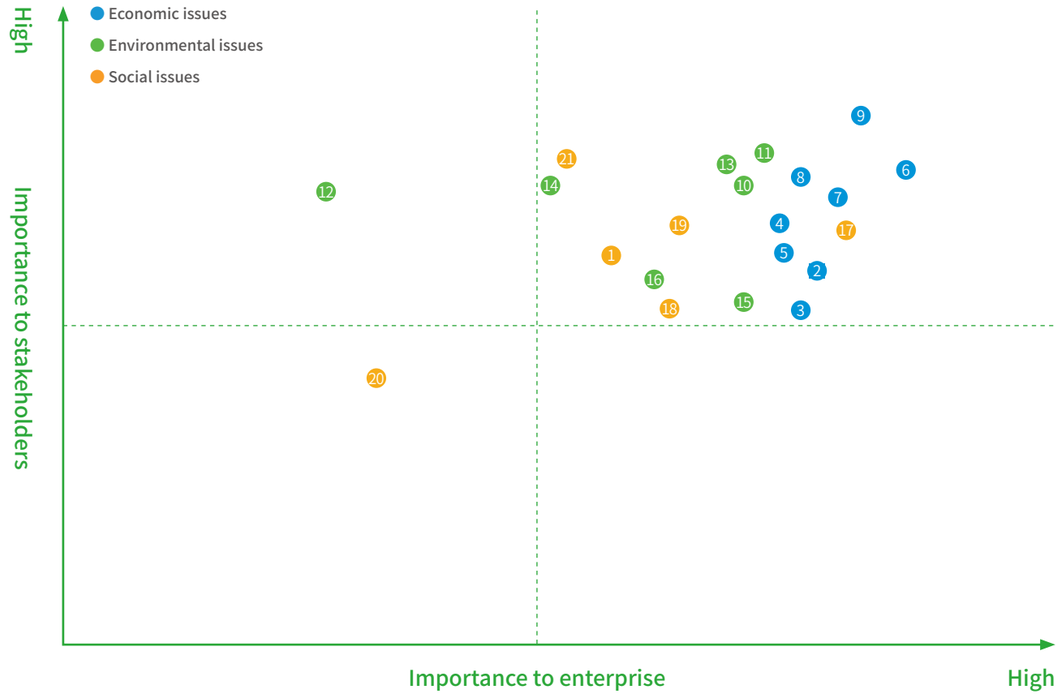
The main stakeholders of SCC include shareholders, customers, employees, partners, governments, industry organizations and communities. We engage direct or indirect communications with these parties, focusing on the three dimensions of economy, environment and society to conduct healthy communication with relevant parties on issues of common concern, understand their views, demands and expectations, and adjust the Company's sustainable development goals and actions to effectively respond to the reasonable expectations and interests of various stakeholders through appropriate communication channels and methods.

Stakeholders	Main responsibilities	Way of communication
Shareholders	Base on the premise of complying with laws, regulations and operating with integrity, we optimize our development strategy, allocate resources reasonably, continuously reduce costs and increase efficiency, and strive to enhance our profitability through effective management.	◎ Shareholders' general meeting ◎ Information disclosure ◎ Investor survey/roadshow ◎ Investor hotline/email/interaction
Client	Focus on customers, continuously improve technology and quality, continue to create value for customers, and continuously improve customer satisfaction.	◎ Technological innovation ◎ Customer meeting ◎ Quality improvement actions ◎ Sales consultation ◎ Customer support ◎ Customer research and review ◎ Customer satisfaction survey
Employees	Keep people-oriented, respect and care for employees, create a good corporate working atmosphere, and provide a platform for employees to realize their personal value. At the same time, providing strong guarantees for employees' work safety and occupational health, strive to provide a high-quality living environment for them, and continuously improve employee satisfaction.	◎ COVID-19 prevention and control management and infection rehabilitation support ◎ Research and exchange ◎ Trade Union ◎ Telephone/email feedback ◎ Training program ◎ EAP project ◎ Love caring platform ◎ "Long for Glory" project ◎ General manager's lunch ◎ Staff activities ◎ Staff congress ◎ Earnest talks with employees
Partners	Adhere to the concepts of cooperation, win-win and co-development.	◎ Industry cooperation ◎ Material procurement ◎ Supplier CSR review and improvement assistance ◎ Supplier training ◎ Supplier conference
Governments	Operate legally, pay tax, promote regional economic development, create jobs, and reduce the impact of enterprise development on society and environment.	◎ Policy communication ◎ visits and surveys ◎ Tax payment according to law
Industry organizations	Promote communication and cooperation in the industry actively, standardize industry development together with the association and peers and establish industry's ecosphere through participation in formulation, release and review of industry standards and intellectual property protection.	◎ Maintain the order of industry development ◎ Compliance with industry norms/standards ◎ Participate in formulation of industrial standards
Community	Participating in and supporting development of community culture and education actively and facilitate harmonious development of the region and society.	◎ Popular science into campus ◎ Host the 17th National Model Aircraft Open Championships ◎ Volunteer action

Sustainable development issues

Feedback from stakeholders will help SCC identify areas that need attention or improvement, and improve its sustainable development management. In 2022, SCC continued to collect report issues through stakeholder survey forms (online/offline), customer satisfaction surveys, and employee satisfaction surveys. Through the identification and analysis of issues, SCC clarifies the key issues of concern to all stakeholders, and determines the priority of the issues.

Compared with 2021, due to the intense conflicts in the international political and economic spheres, the global economy, society, and environment were further impacted in 2022. Together with the influence of factors such as the continuous promotion of China's "dual-carbon" policy and ESG-related policies, the demand priorities of all stakeholders in the economic, environmental, and social aspects changed, leading to further refinement of some topics. Among various topics, the attention to green development related issues continued to increase, and the attention to timely delivery and quality assurance became the highest among customer satisfaction. Partners are more concerned about supply chain continuity and investors are more concerned about ESG-related topics.



1. Sustainable development management
2. Corporate governance
3. Compliance management
4. Business ethics management
5. Sustainable growth
6. Technological innovation
7. Product quality and service
8. Customer privacy & data security
9. Customer satisfaction management
10. Green products
11. Energy management
12. Exhaust gas management
13. Wastewater management
14. Waste management
15. Green operation
16. Supply chain sustainability
17. Employee rights and protection
18. Compensation and benefits and career development
19. Intellectual property protection
20. Community charity activities
21. Stakeholder communication and response

03

SUSTAINABLE PRODUCTS AND SERVICES

Innovation is the primary productive force. Science and technology innovation have made important contributions to promoting high-quality economic and social development. Insisting on a technology leadership strategy, SCC firmly regards "technology and solutions" as the core value of customer service. Through continuous innovation and high-quality products, it meets customer needs and solves problems in the industry. It helps customers in communications, industrial control medicine, automobile electronics, server/storage, etc. realize a richer application ecology so that more people can benefit from the development of the electronic information industry. At the same time, a green and low-carbon development model is the way to a better future. Throughout the entire life cycle of design, R&D, procurement, production, and service, SCC strives to provide customers with lower-carbon and more environmentally friendly products and solutions through continuous innovation.

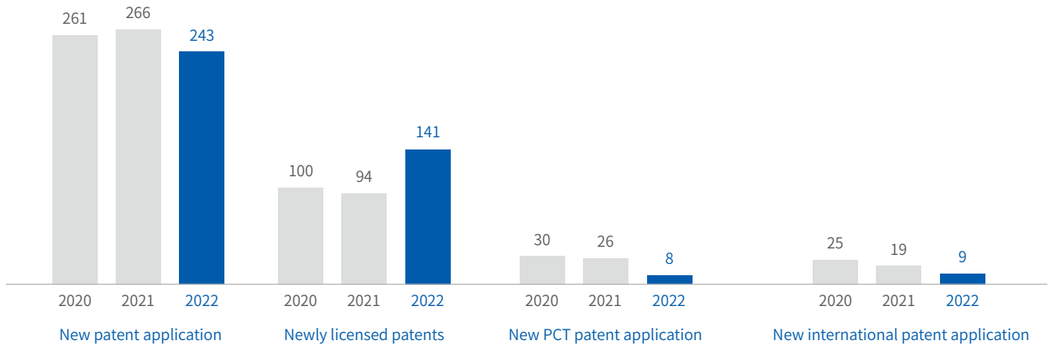
Leveraging innovation to support customers in implementing new technology applications

01 Innovation results

In 2022, SCC, around the strategic goal of "innovation-driven development", deeply reformed the construction of innovation mechanism with the total R&D investment of nearly RMB 820 million in order to pursue high-quality development. By promoting business process change and using technology as the foundation and features as the internal and external pull-through benchmarks, the Company has created its own R&D system. It has achieved a number of innovative outcomes by offering customers in the printed circuit board, packaging substrate, and electronic assembly industries valuable technologies and solutions.

The Company releases the development of 5 national, industry, and group standards during the course of the year, and it leads and takes part in the development of 7 industry standards. It has released 29 papers, including 10 papers in international conferences and journals (including 1 SCI paper and 8 EI papers). The company accelerate the implementation of the company's intellectual property strategy, improve the patent valuation system, and comprehensively promote the deployment of high value patents

Development of Intellectual Properties in the Past Three Years



02 Continuous stimulation of innovation

Science and technology workers are the main body of science and technology innovation. The SCC Science and Technology Association creates an incentive system that rewards patents, papers, standards, and titles in order to promote innovation and create a positive innovation ecology. Additionally, it has set up science and technology awards for young science and technology talents and advanced workers. It is organized once a year to honor and reward the groups and people who support innovation and to pique the interest of science and technology workers in new ideas. In 2022, the association selected 46 science and technology awards, 14 young scientific and technological talents, and 6 advanced workers.

03 Passed the "Shenzhen Key Enterprise Research Institute" certification

Starting in 2021, the Shenzhen government started conducting a series of projects, including basic and applied research, key core technology research, science and technology talent training, technology transfer, and results transformation, for enterprises with strong scientific and technological research and development capabilities. The goal is to develop a higher level of innovation carriers, improve the ability of businesses to innovate on their own, and identify important enterprise research institutions in Shenzhen. In 2022, the expert group acknowledged SCC's extensive R&D capacity. We succeeded in getting recognized by the "Shenzhen Key Enterprise Research Institute," of which Shenzhen has only recognized 43 enterprises.

04 Green products help clients to develop low carbon

SCC incorporates green design concepts into product development and design, in accordance with environmental regulations and customer requirements. By selecting environment-friendly materials and the use of environment-friendly processes, we improve the environment-friendliness of products. We also reduce circuit boards and electronic component consumption by employing highly integrated and all-in-one design program. Moreover, we provide customers with professional simulation analysis to reduce the number of development samples. The Company has consciously improved the efficiency of resource utilization in the entire design process, minimizing energy consumption and adverse environmental impact. SCC Nantong passed the customer product carbon footprint verification certification for the first time in 2022, and the entire life cycle of the produced green products is traceable.

The Siemens Healthineers Global Supplier Conference was held in Erlangen, Germany, on June 22, 2022, as scheduled. Only one supplier received an award from each of the six that Siemens set. In order to bring suppliers together to achieve sustainable development as a strategic development direction and support the UN's sustainable development goals, the conference first established the Sustainability Award. SCC won the award for its exceptional sustainability performance. SCC will keep coming up with new ideas in the future and assist more clients in implementing low-carbon products and applications as well as sustainable development strategies.

Through digital transformation making every effort to provide customers with trustworthy products and services

SCC has always adhered to the concept of "quality first." In terms of quality digital construction based on process management digitalization, with complex business, simple organization, and human-computer interaction as the characteristics, by precisely positioning problems digitally, the company has stimulated the management innovation kinetic energy, improved the communication efficiency, and reduced energy consumption, thus successfully setting up a management mode of efficient operation of the process-based organizational development across multiple regions, multiple sites, and multiple functions. Response time, product quality, and cost management are all enhanced in this model.

01 Empowering high-quality development with digital means

SCC always insists on customer oriented and problem oriented, anchoring value realization and result realization. It will keep advancing comprehensive digital construction and using digital tools to support the company's high-quality development. The in-depth promotion of quality digitization allows the mode of quality work management to change from post-fire fighting to process assurance and prior prevention, and the stability of the quality is greatly improved. By identifying the qualities of its products and processes, the company creates a quality characteristic tree" and then uses this tree to establish a hierarchical system for managing quality risks. Achieving process capability stability and proactive high-risk prevention management is the goal. The Company also develops a digital early warning system based on reliable data at the same time. The implementation of high-risk defect warnings, laboratory potion warnings, process critical X warnings, SPC control item warnings, product processing timeout warnings, high-risk material number processing warnings, and the automatic induction of corrective improvement by each system warning information have all been made possible as a result.

In 2022, the Company's business divisions made significant breakthroughs in promoting data applications. Several PCB Division and SUB Division factories have implemented the intelligent recipe for a number of important parameters based on the intelligent manufacturing automatic recipe. The ability of the equipment to automatically adjust the processing parameters in response to the equipment and product status greatly reduces the likelihood of abnormalities. Based on the realization of accurate traceability, PCBA Division has established a management system for accurate sampling. A new milestone in quality and precision inspection has been reached. The efficiency of inspections has greatly increased as a result of the quality management staff's ability to quickly and easily identify products that pose a higher risk. The quality risk is significantly reduced. The efficiency of the first inspection is increased by more than 50%, and the rate of missed inspections is reduced by more than 50%.

02 Contribute SCC wisdom to industry quality standards

On March 9, 2022, the national standard "General Interface of Quality Data for Production Process Quality Control" (GB/T 41272-2022), which was prepared with the participation of SCC, was officially released and formally implemented on October 1, 2022. The standard's development took four years, and SCC, the primary drafting unit, contributed to its development and review. The team was coordinated and guided by Zhou Jinqun, the company's general manager, during the review of the final draft of the standard, and a number of revisions were adopted, adding to the industry's quality standards with SCC's wisdom.

03 Continuously improve the combination of online and offline customer service system

SCC has consistently adhered to the "customer-centric" business philosophy, committed to offering customers quick, easy services, and working to enhance the after-sales support system for goods and services. The Company has established a professional and varied after-sales service platform. To ensure that the after-sales service forms a closed loop, the after-sales service response progress is timely recorded online through the system platform. A skilled customer after-sales service team has been established offline in East China and South China, where the geographic distribution of customers is concentrated, and they can reach the customer site within 24 hours to provide services.

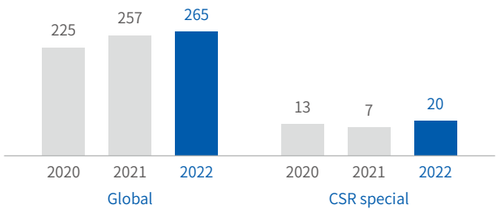
For customer feedback on abnormal problems, the Company divides customer complaints into three categories according to their impact on customers. Each business division has set aside a team of excellent industry FA analysts who can examine failure samples quickly using qualified tools and equipment to identify abnormal failure modes. They investigate the true causes of customer feedback issues from the ground up and use the customer complaint system to structurally and methodically address the abnormal issues with customer feedback. In addition, the closed-loop management and prompt resolution of customer complaints are strongly guaranteed by the online customer complaint system. In 2022, the Company received "0" first-class customer complaints.

The Company will initiate the product recall process immediately if a product delivered to a customer has a problem that goes beyond what the customer expected or if a potential problem is found during risk screening. We actively communicate with our customers and offer temporary solutions to minimize damage to their interests as much as possible.

04 System management level continuously recognized by customers

The Company has a 100% pass rate on 265 customer audits and 20 special CSR audits in 2022. Such audit not only verified the effectiveness of the company system operation, but also became one of the important ways for the Company to understand customer needs and absorb improvement suggestions.

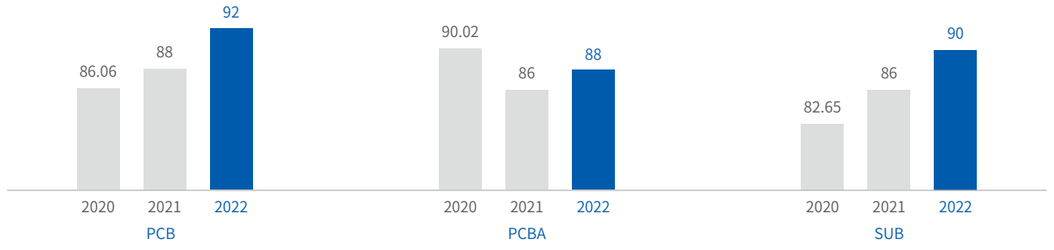
Diagram of Customer Audits in the Past Three Years



05 Customer satisfaction continues to improve

The Company conducts customer satisfaction surveys for its key clients at the end of each year to gain a deeper understanding of how customers perceive and feel about the Company's goods and services. The questionnaire objectively reflects customers' opinions about the Company in five dimensions, including quality, technology, delivery, service, and cost. In 2022, customer satisfaction across the three major industries rose steadily.

Diagram of Customer Satisfaction Changes in the Past Three Years



04

GREEN AND LOW-CARBON DEVELOPMENT

As a leader and promoter in the national electronic circuit industry, SCC adheres to the policy of "being the first to practice, playing an active role, and building a home of hearts and chips." It actively responds to the risks and opportunities in environmental issues, practices green development of low-carbon and environmental protection through technological innovation, and minimizes the adverse impact on the environment in the course of business operations.

Green development vision

During the early stages of its growth, SCC recognized the value of environmental protection and began to set up a systematic environmental management system. In 1999, the environmental management system was certified according to ISO14000. Over the years, SCC has implemented scientific development, prevention-oriented management ideas, the implementation of energy saving and emission reduction, and the implementation of clean production, and achieved significant results. According to the standard requirements of "Cleaner Production Standard Printed Circuit Board Manufacturing", the Company can achieve the first level of cleaner production (international advanced level) in four dimensions: production process and equipment, resource and energy utilization, pollutant generation, and waste recycling.

The SCC Green Production Management Committee (formerly Cleaner Production Management Committee),

is a company-level, cross-departmental environmental management organization. The Company's general manager serves as the committee's director of cleaner production, and the deputy director is the director of the safety and environmental protection department. The committee is designed to establish four promotion groups, including green procurement, source reduction, resource reuse, and pollution reduction. Its members represent the business divisions and functional departments related to green production. It can offer organizational and strategic assurance for carrying out environmental protection work methodically, thoroughly, consistently, and effectively. The Company established the "2025 Emissions Target" in 2020 with the intention of the carbon emissions of comprehensive added value of 10,000 RMB in 2025 should be reduced the emission by more than 30% on the basis of 2020.

Established the Carbon Emission Management Committee to help meet the "dual carbon" target

In September 2022, in order to implement the relevant spirit and requirements of the national "3060 dual carbon goals", the SCC formally established a carbon emission management committee. The committee is responsible for coordinating emission reduction work, organizing and carrying out carbon emission management planning, and establishing a product full declaration cycle Carbon emission management system, promote the implementation of carbon emission management. The establishment of the Carbon Emission Promotion Management Committee will help to continuously strengthen the company's long-term and systematic exploration and practice in low-carbon development, contributing to the achievement of the world's and China's "carbon peaking and carbon neutrality" goals.

Established an internal carbon emission trading system to practice low-carbon development

In order to strengthen the company's full life cycle carbon emission management in the production process and continuously improve the company's comprehensive carbon emission management capabilities, The SCC drew on Shenzhen's carbon emission trading system to formulate an internal carbon emission and carbon quota management system, encouraging all business departments to scientifically Manage carbon quotas. After each business department reaches the carbon emission reduction target, they can use the surplus carbon quotas for internal transactions. Business departments that fail to meet the standards need to purchase from the company or other business departments, thereby promoting the management of carbon emissions by various business departments. Incorporate the important considerations of cost and risk management, actively improve the level of carbon emission management, and achieve low-carbon development.

Green operation

SCC is experiencing a period of rapid development with multi-regional operations. The Company attaches great importance to industrial operations and environmental protection, continues to strengthen environmental protection investment, and is committed to improving the efficiency of resource utilization in all aspects of corporate operations and reducing greenhouse gas and waste emissions and minimizing adverse environmental impacts during operation. SCC invest more than 60 million yuan in the equipment and operating expenses of pollution prevention and control facilities in 2022, and throughout the year, all pollution factors were controlled to 100% of the required levels with no environmental violations. SCC and its subsidiary SCC Wuxi were honored as "Shenzhen Green Enterprise" and "Jiangsu Leading Enterprise of Green Development," etc.

01 Energy conservation and consumption reduction

In order to achieve the goal of low-carbon development, SCC continuously improves the energy management system. In 2022, the Shenzhen ISO50001 energy management system successfully completed the re-examination, and Wuxi and Nantong passed ISO50001 energy management system certification for the first time. The Company also keeps promoting green development by renovating in an energy-efficient manner and introducing new environmental protection technologies.

In 2022, the Company emitted is 652,577 tons of CO2 annually.

2022 Energy Consumption Data Sheet

Energy consumption forms	2021	2022
Electricity (10,000 kWh)	68,950.25	71,777.1
Natural gas (10,000 m3)	456.13	485.90
Gasoline (tons)	85.21	41
Diesel (tons)	11.35	4
Heat (million kJ)	339,753.7	448,566.7
Total (10,000 tons of standard coal)	9.77	10.65

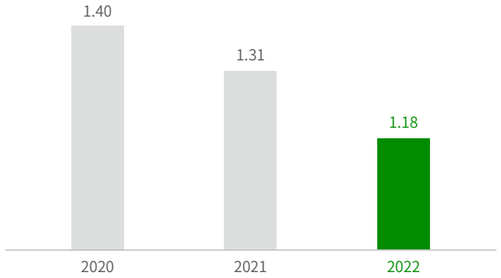
Note: Due to the difference in statistical caliber, the data for 2021 is retroactively adjusted.

It is making steady progress in energy-saving technology. The Company's energy consumption per 10,000 yuan of integrated output value increased by 10.44% due to the capacity creep of the new plant in Wuxi, but overall the carbon emissions of comprehensivevalue added per 10,000 yuan decreased by 4.51%. All three locations had lower carbon emission intensities than the government's carbon emission credits.

Special Energy-saving Technological Transformation Projects

Area	Input capital (10,000 yuan)	Implementing Projects	Improvement gains (tCO2e/year)
Shenzhen	310	Energy-saving renovation with heat pumps instead of electric heating	949
		Improvement of energy consumption control at central facilities	1,987
		Energy-saving renovation of equipment high-pressure fans	854
		Production equipment energy-saving renovation	237
		Cleaning machine cooling system modification	158
Wuxi	33	Project of adding heat recovery unit to air pressure system	408
Nantong	182.8	Improvement in facility underclocking management	284
		Energy-saving renovation of high-pressure fans	777
		Production equipment energy-saving renovation	579

Carbon Emission Intensity Table in the Past Three Years



Note 1: Starting in 2021, the disclosure of the carbon emission intensity will change to include information about the entire company rather than each subsidiary;
Note 2: The government had not yet released accurate data for 2021 at the time of the last report, and 1.36 was the forecast value. It has now been updated to 1.31, and 2022 data is the forecast value.

02 Reduction of resource consumption and waste emissions

SCC continuously pays attention to the consumption of energy resources and the generation of waste in the production process, and according to the management motto of "reduction, resource utilization, and harmlessness", it systematically promotes the specialized work of reducing energy resource consumption and waste disposal.

◆ Wastewater Reduction and Recycling

SCC has carried out thorough and meticulous research and planning in all aspects of wastewater treatment around the limitations and issues of conventional treatment processes. From program demonstration, investigation, and construction, and has departed from the typical mode of PCB wastewater treatment to ensure the effectiveness of wastewater disposal. SCC carefully plans the classification of waste water and waste liquid in an innovative manner. It has developed various treatment procedures for wastewater and meticulously categorizes the generated wastewater into heavy metal wastewater, cyanide-containing wastewater, nickel-containing wastewater, developing and stripping wastewater, high COD, nitrogen, and phosphorus wastewater, complexed wastewater, and organic wastewater.

Additionally, SCC has established wastewater discharge standards, real-time monitoring, and alarm systems that are stricter than national regulations. SCC is also capable of transmitting pollution data in real-time through online monitoring equipment to the monitoring platform of environmental protection government agency. At the same time, the Company frequently hires a qualified unit from third-party to monitor wastewater. The monitoring results, which are made public through the platform of the environmental protection government agency and the company's official website, are significantly below the discharge standard for the area surrounding the factory.

Established an internal pollution emission trading system to encourage active emission reduction

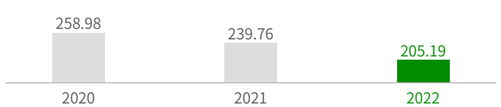
In order to further promote pollution reduction, efficiency improvement, energy saving and consumption reduction, The SCC has learned from the management idea of pollution emission rights trading, and established a pollution emission right trading system within the company to encourage factories to promote emission reduction work at the source of production. For factories that exceed emission reduction targets , the surplus emission quotas can be sold to the company, and the emission quotas that do not meet the standards need to be purchased from the company. Through internal pollution emission trading, it can promote the transformation of factories from passively implementing emission reduction targets to actively pursuing comprehensive benefits of emission reduction, reducing the cost of potion. Output, raw material consumption and waste water generation, while reducing energy consumption in related links, has become a new milestone in the green development of Shennan Circuits' complete product life cycle.

2022 Wastewater Pollution Factor Concentration Table

Wastewater discharge concentration	Shenzhen			Wuxi			Nantong		
	Territorial Standard	SCC Standard	Actual value	Territorial Standard	SCC Standard	Actual value	Territorial Standard	SCC Standard	Actual value
Total copper(mg/L)	0.5	0.18	Less than 0.12	0.3	0.3	Less than 0.3	0.5	0.5	Less than 0.5
COD(mg/L)	80	33	Less than 33	50	50	Less than 50	250	250	Less than 250
Total nickel (mg/L)	0.5	0.3	0.07	-	-	-	-	-	-
Ammonia nitrogen (mg/L)	15	6	0.29	8	8	5.49	35	35	6.5
Total phosphorus (mg/L)	1.0	0.4	0.09	0.5	0.5	0.15	8	8	0.78

SCC is still promote the use of reclaimed water. The Company consumed more than 6.5839 million tons of water in total in 2022, a continuous decrease year over year. Utilization of recycled water exceeded 2.0519 million tons, or 31.17%. The industry clean production level 1 standard is surpassed in terms of water consumption per unit area.

Table of changes in reclaimed water usage in the last three years (10,000 tons)



◆ Waste gas emission management

SCC strictly implements the national, local and industrial standards for waste gas emission management, and its monitoring data are disclosed on the national pollutant discharge permit management information platform. In order to strengthen the waste gas management and give early warning in a timely manner, the Company has established a real-time waste gas emission monitoring system, which can effectively ensure the pollutants are stably discharged under the specified standards. In 2022, the Company's emission concentration monitoring results were lower than the limits as stipulated in the pollutant discharge standards, and the total emissions did not exceed that as stipulated by government authorities.

List of Waste Gas Emissions in 2022

Waste gas emissions	Emissions for Shenzhen SCC (tons)		Emissions for Wuxi SCC (tons)		Emissions for Nantong SCC (tons)	
	2021	2022	2021	2022	2021	2022
Nitrogen oxide	0.45	3.547	0.60	0.72	0.72	0.615
Particulates	0.12	9.23	0.54	2.14	0.58	0.326
Tin and other compounds	0.01	0.007	0.00	0	-	-
Formaldehyde	0.08	0.082	0.11	0	0.07	0.209
Ammonia (NH_3)	0.09	0.879	0.18	0.29	0.14	0.543
Non-methane total hydrocarbon	3.62	3.08	-	-	-	-
Chlorine hydride	0.25	0.654	2.03	0.19	0.59	13.254
Hydrogen cyanide	0.01	0.016	-	-	0.02	0.0221
Hepatic gas	-	-	0.00	0	-	0.0017
Sulfuric acid mist	0.67	1.541	0.69		1.76	4.34
Sulfur dioxide	-	-	0.04	0.04	-	-
Volatile organic compounds (VOCs)	-	0.47	0.50	0.18	5.17	0.43
Lampblack	-	-	0.01	0.01	-	-

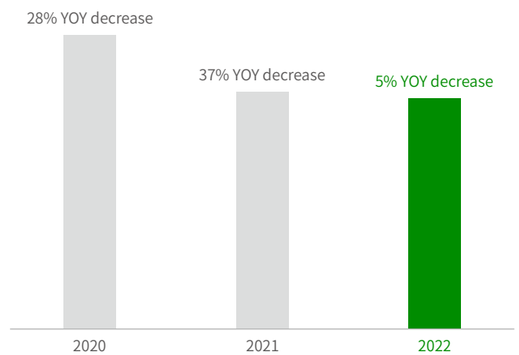
◆ Reduction of pollutants

SCC always concerned about the impact of hazardous waste on the environment. It continues to carry out special improvement to reduce hazardous waste generated in the production process.

At the source of hazardous waste, the Company continues to optimize the waste liquid production process to reduce the amount of chemical solution added and delay the replacement cycle of chemical solution and strictly controls waste liquid generation in all aspects to reduce the production of waste liquid. At the end of hazardous waste collection, some waste liquid is recycled and utilized.

In the last three years, the Company's waste liquid generation per unit area has decreased. In 2022, the Company saw a year-over-year decrease of more than 4,000 tons of waste liquid, representing 5% less waste liquid generation per unit area.

Diagram of Changes in the Amount of Waste Liquid Produced per Outer Layer Output Area in the Past Three Years



To ensure the safe management of hazardous waste throughout the entire process, SCC has developed a comprehensive system specification for hazardous waste treatment and disposal. The hazardous waste generated by the Company is segregated by processes and departments, collected, and packaged before being delivered to the purification process. This ensures that the temporary storage area for hazardous waste satisfies the criteria for leaks, sun, and rain. All packages, vehicles, and containers carrying it must be intact and leak-free. In the end, these hazardous wastes are given to third-party organizations that are qualified to handle them and keep accurate records of the name, quantity, destination, etc. of the wastes. The rate of safe disposal of hazardous waste reached 100%.

Amount of solid waste generated in the last three years (tons)

03 Green operation building a resource-friendly enterprise

In order to practice the concept of a green office, the Company has accelerated the integration of equipment transformation and information systems while deepening the transformation of digitalization and information. Paperless has also become a key component of the company's intelligent manufacturing, significantly reducing the use of paper. In addition, the Company actively carries out environmental protection publicity and actions to spread the concept of building a resource-friendly enterprise.

In order to reduce the amount of gasoline used in official vehicles, the Company has improved external collaboration to replace them with online ride-share solutions. Additionally, we promote carpooling among coworkers traveling to the same destination to put the idea of green travel into practice.

The Company's photovoltaic power generation project had started in 2022 and is expected to generate an average of 10 million kWh per year after completion, which can further reduce the company's carbon emissions.

"Planting SCC 'Chip' Blessing Trees" was held at SCC Wuxi Site

On March 18, SCC Wuxi successfully organized the 2022 annual tree planting activity of "Planting SCC 'Chip' Blessing Trees" in the gardening area of the W5 complex building. Numerous cherry and magnolia trees were planted at SCC Wuxi during the activity. After planting the trees, all the participants signed the "Tree Sponsorship Cards" and hung them on the trees they planted, announcing their "responsibility" for taking care of the seedlings.

Green industrial chains

The rapid development of SCC is closely related to the industrial chain, and it is inseparable from the full support of upstream and downstream partners. The Company attaches great importance to mutual communication with our partners, actively develop suppliers with common CSR values, and use sustainable development in business cooperation to break through the difficulties and bottlenecks encountered in our development and achieve win-win cooperation.

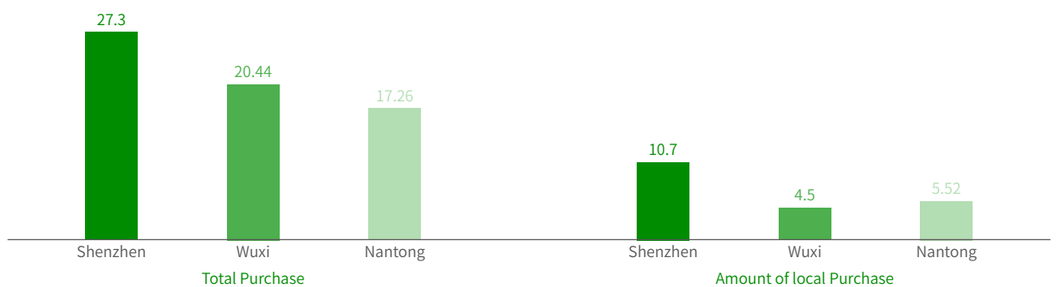
01 Green purchasing

SCC adheres to the CSR management policy of "being the first to practice, playing an active role, and building a home of hearts and chips", and strictly controls the environmental compliance of purchased materials. All materials to be certified must meet RoHS2.0 and be in line with the requirements of the policies related to the occupational health, safe supply, waste discharge environmental protection indicators, conflict mineral management, etc. and achieve error prevention and traceability with streamlined review nodes. At the same time, the Company continues to deepen cooperation with suppliers, and through supplier certification, performance management and special assistance and support, promoting the supply chain sustainable development capacity building to reduce supply risks.

SCC adhered to the principle of fairness and just in the process of supplier introduction, selection, and daily cooperation. In TQRDC five aspects, it made a comprehensive comparative evaluation of suppliers. In addition, it cooperated with related suppliers in the development of key projects to achieve a win-win situation. In 2022, more than 150 models of materials meeting safety and environmental protection requirements were certified. At the same time, the safe and environmentally friendly projects, such as highly efficient composite alkali, comfort-enhancing tooling, and reduced activation palladium unit consumption, were fully implemented to three sites, strongly supporting the company's green development strategy.

The Company bought materials from 281 suppliers in 2022. The responsible procurement rate is 100%, and the total amount of procurement exceeds 6.5 billion yuan.

Localization procurement table in 2022 (100 million yuan)



◆ Conflicting Mineral Management

SCC promises and aims to purchase tin, tantalum, tungsten, gold, cobalt and other minerals used in a responsible way, and, by referring to OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, promotes suppliers to establish policies to prevent and reduce the risk of the minerals contained in their manufactured products directly or indirectly providing funds or benefits the groups with serious human right violations, serious environmental hazards, serious health and safety risks, serious corruption, etc. in the high-risk areas.

SCC, based on the Responsible Mineral Initiative (RMI), jointly prevent conflicting mineral problems with cooperative suppliers, uses the RMI conflict mineral questionnaire to carry out supply chain survey. The Company initiates annual supplier due diligence, tracks the sources of minerals in its products step by step through suppliers, identifies the smelter list, and shares the survey results with customers. In 2022, the Company has 5 suppliers involved in 3TG metal procurement, and the 3TG smelters from which suppliers purchase metals are all RMAP certified qualified smelters.

02 CSR management of supply chain

The strategic objective on supply chain social responsibility of SCC is to continuously develop suppliers with common CSR values and comprehensively enhance the economic and social benefits of business cooperation. Moreover, by aligning industry benchmarks, we identify the current status and shortcomings of suppliers' sustainable development, help the suppliers with shortcomings make progress together and eventually reach the industry-leading level.

◆ Stage goal

2020

◎ Sustainable development of strategic cooperation suppliers

◎ 33 suppliers to be reviewed

◎ Strengthening the field audit of Level B suppliers

2021

◎ Sustainable development of strategic cooperation suppliers

◎ 38 suppliers to be reviewed

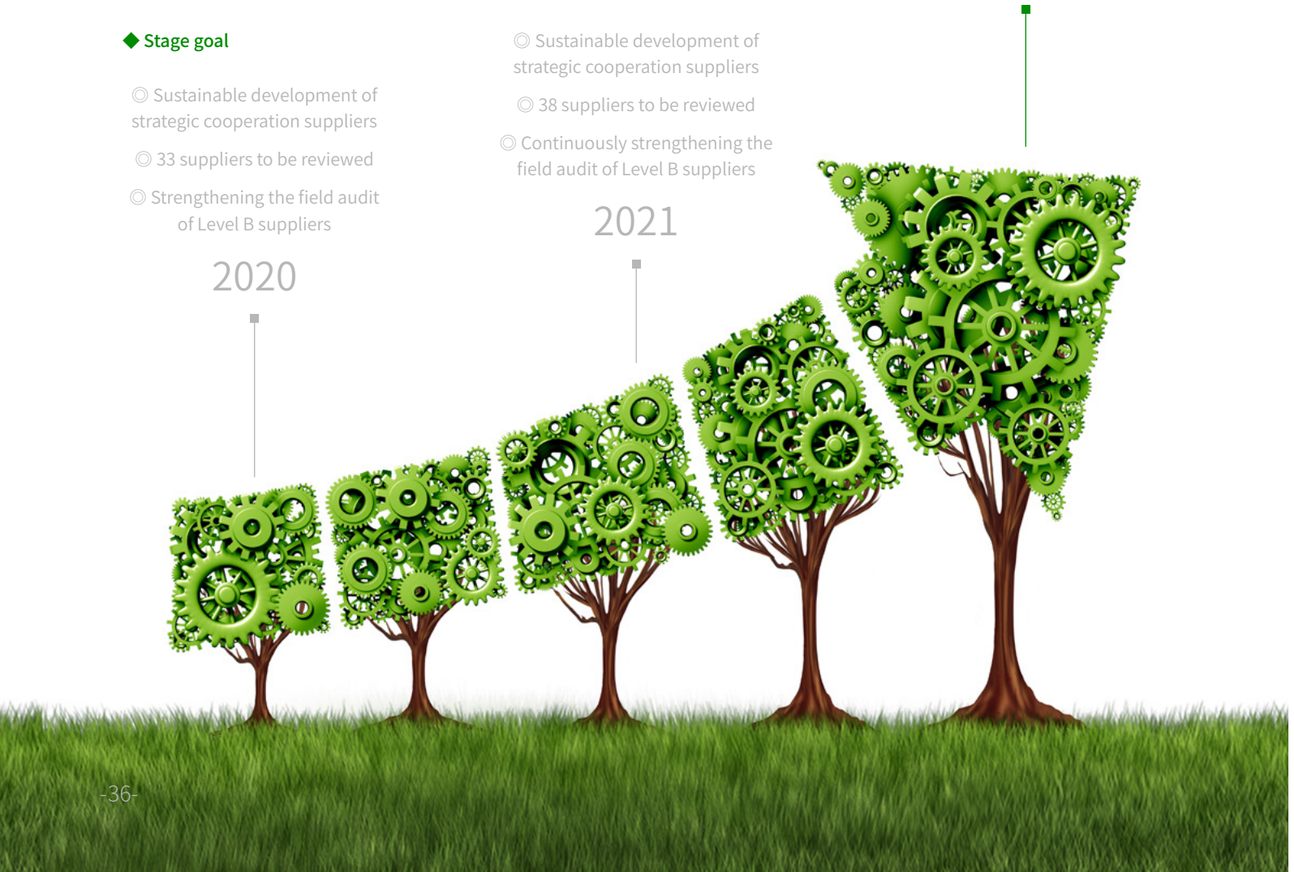
◎ Continuously strengthening the field audit of Level B suppliers

2022

◎ Sustainable development of strategic cooperation suppliers

◎ 41 suppliers to be reviewed

◎ Continuously strengthening the field audit of Level B suppliers



◆ Supply Chain CSR Management Performance

Based on the requirements of the ISO14000 system, the Company conducts CSR performance evaluations of suppliers from 12 main aspects. For key and important suppliers whose performance evaluation is rated C/D, we urge them to submit improvement reports, interview senior officers, conduct field audits, reduce shares, etc. to improve their performance. In 2022, the Company completed the audit of 41 key suppliers. Compared with 2021, the supplier CSR management was further improved. There had been no Level C suppliers for 4 consecutive years, and there had been no Level D suppliers for 5 consecutive years. During the year, SCC completed pertinent cooperation projects with strategic clients in conjunction with two important supplier partners, which drove structural and systematic improvement in its sustainable development performance.

Supplier Evaluation Results in the Past Three Years

03 Centralized distribution more environmentally friendly packaging

The central distribution system and the intelligent formulation function have steadily improved in recent years as the business has promoted its digital production. The amount of chemical solutions used has been significantly decreased by adding chemical solutions through the central distribution system, which has also improved their accuracy and stability. At the same time, the Company switched from the original 20KG and 25KG plastic packaging drums to 200L and 1,000L drums based on the characteristics of the central distribution system of some projects with a larger volume of single dosing. This involves 27 projects spread across numerous factories, which can significantly lower the cost of empty drum disposal and transportation frequency.

05

AN INTERCONNECTED AND SYMBIOTIC FUTURE

For many years, SCC has closely integrated its mission, vision, values and social responsibility, and pursues harmonious, healthy and sustainable development in its daily operation and production. The Company adheres to ernest management, practice good business ethics, and actively pay attention to the growth and the value realization of employees, and strive to contribute to social prosperity, and ultimately promote the sustainable development of the global economy, society, and environment, and create a better interconnected and symbiotic future.

Adhering to business ethics and operating in compliance

01 Corporate governance

In accordance with the requirements of the existing laws, regulations, and rules such as the Company Law, the Securities Law, the Listing Rules of Shenzhen Stock Exchange, the Guidelines on Self-regulation of Listed Companies No.1-Standardized Operation of Main Board Listed Companies, etc. SCC has established a complete corporate legal personnel governance structure, general meeting, the board of directors and the professional committees under it (including the audit committee, the strategy committee, the remuneration and assessment committee and the nomination committee), the board of supervisors, and has also formulated the corresponding proceeding rules and work management systems.

In 2022, the Company convened three shareholders' general meetings, nine meetings of the board of directors, and seven meetings of the board of supervisors. The Company actively provided an effective way for shareholders to participate in corporate governance, and gave full play to the leadership and supervision role of the board of directors and the board of supervisors in scientific decision-making, standardized management, risk control, shareholder return, social responsibility and so on.

◆ Standardizing Information Disclosure and Protecting the Interests of Investors

In 2022, SCC continues to strengthen the maintenance of investor relations in large scale, and proactively maintain the relationship with investors. Throughout the year, the Company received over 2,200 investors and held 21 online and in-person strategy conferences. On the investor interactive relationship platform, the Company responded to 154 questions from investors with a 100% response rate. With 3,240 attendees, we actively held performance briefing sessions and took part in events such as online group reception days for investors to help small and medium-sized investors understand the business. The Company actively worked on investor education and publicity, launched an investor protection publicity column, and produced and published 17 investment education and publicity content. To spread awareness of investor rights among our staff members and investors, we took part in the "Shareholder is Coming" investor rights knowledge competition organized by the Securities Regulatory Bureau and the Investment Service Center. More than 3,400 people registered for this activity, more than 290,000 people answered the questions, and it received the "Excellent Organization Award" from the Shenzhen Investor Service Center. Through the offline and online dual channels, the Company successfully built a fair and effective communication bridge between the Company, investors and the public, and effectively conveyed the Company's value to the capital market in compliance with regulations, and gained investors' attention, understanding and support. In 2022, the Company regularly reported and promptly and efficiently disclosed information, and it completed a total of 157 disclosure announcements. At the same time, it actively and imitatively disclosed its business to the capital market. The securities affairs management of the Company was recognized by shareholders, institutions, and regulators. The information disclosure assessment result by Shenzhen Stock Exchange from June 2019 to May 2022 had been graded A for three consecutive years.

02 Compliance with the law

SCC adheres to the concept of compliance creating value and compliant operation according to law to build a compliance management system to support business compliance development. By learning from and benchmarking the best practices, referring to relevant guidelines at home and abroad, guided by business process, based on fully identifying and assessing compliance risks, SCC integrates compliance management into its policies and posts, establishes the compliance responsibility system, defines the compliance responsibilities of officers and employees of each position are defined and directs them to effectively fulfill their responsibilities.

In 2022, SCC remains committed to promoting risk management as the road map, bolstering internal control as the foundation, and putting compliance as the bottom line while integrating the three roles of risk management, internal control, and compliance. Through a pilot program, the company implemented a risk management integration of internal control, risk management, and compliance, gradually improved the construction of the system and supervision, and created an integrated, synergistic, and effective risk supervision system.

▲ Chairman's lecture on law

03 Strengthen risk management

In accordance with the "Total Risk Management System of Shennan Circuits Co., Ltd." requirements, SCC conducted annual risk identification and assessment. The Company established annual risk identification processes across all businesses, functional departments, and subsidiaries. These processes resulted in the development of response plans and the production of the "Annual List of Significant Risk Matters," which was released in conjunction with the annual business planning. The Company has established a quarterly monitoring and reporting mechanism for major risks. It monitors and evaluates the response plan's execution for major risk issues every quarter using sampling, on-site inspections, and data analysis. In parallel, we carry out monitoring and evaluation to guarantee the successful application of the major risk response program and inform management of the application of major risk prevention and control.

In 2022, according to the three-year planning program of the compliance management operation system, the Company completed the construction of 14 key areas of compliance, marking the basic completion of the Company's compliance management operation system. The Company used the compliance operation management system as the framework, with the business, process, and system serving as the main lines. The organization system, operation mechanism, and guarantee measurements are continuously optimized and improved in the context of the compliance management system. This fully utilizes the "three lines of defense" concept and advances business growth.

04 Conduct comprehensive audits and continuous rectification tracking

SCC formulates such system documents as "Internal Audit System of Shennan Circuits Co., Ltd.", "Internal Audit Work Manual of Shennan Circuits Co., Ltd.", and "Interim Measures for Audit Rectification Management of Shennan Circuits Co., Ltd.". The Company strictly adheres to the audit-related requirements when conducting audits, and in conjunction with the yearly internal control self-evaluation, it monitors and evaluates the efficiency of authority management and approval procedures at key control points. As of December 2022, the Company had completed audit projects in accordance with the audit plan, checked the status of rectification throughout the process frequently, and the annual audit finding rectification rate had increased to 92.98%.

05 Abiding by business ethics and adhering to integrity

SCC adheres to and is committed to operating globally with the highest legal and ethical standards. SCC requires all employees to abide by the principle of fair competition, perform their duties with reasonable business judgment (rather than for personal interests or benefits) to identify and avoid conflicts of interest, hold a "zero tolerance" attitude to bribery and corruption, and continue to strengthen the construction of an anti-corruption and anti-commercial bribery management system. The company formulated a system such as the "Code of Business Ethics of Shennan Circuits Co., Ltd." and continuously states to partners the integrity-based cooperation principle and signs an honest cooperation agreement. SCC also provides the employees with complaint channels and encourages them to report violations. The supervisory complaint mailbox is fawu@scc.com.

In 2022, SCC still fully committed to the regular, extensive, and effective positioning of business ethics education. SCC takes warning education as the guide, actively implements the requirements of promoting education with cases, and organizes leaders in key positions and the rest of the employees to attend 14 anti-corruption training sessions with more than 5,000 participants. SCC instructs and guides everyone to draw lessons from practical social cases, effectively holds in awe and veneration, and keeps the bottom line. At the same time, the company, with the "Discipline Education Month" program, focuses on the acts of the leading officers and key personnel and has carried out 10 series of Clean Government learning activities with about 9,000 participants. SCC has taken multiple measures at the same time, advocated clean work awareness, and created a clean and ernest working atmosphere.

▲ Conducting business ethics training

Caring for employees and making them successful

SCC always regards every diligent employee in the enterprise as the key to create excellent performance. On one hand, it continuously strengthens the training of talents, continuously improves the talent training system, conducts the training of the talent echelon based on the Company's strategic direction, provide the employees with large development space and fair development opportunities and help employees realize their values. On the other hand, the Company continues to pay attention to all aspects of employees' life, actively organizes employees to participate in various health activities, and guides employees to balance work and life.

01 Employee diversity and equality

SCC has long diversified the scope of employee development. Openness to the community, open hiring, thorough evaluation, and merit are the company's recruitment tenets, which guarantee equal opportunities for all workers. SCC promotes employment in science. The Company chooses, hires, and develops employees in accordance with business development and the actual requirements of the position. By the end of 2022, the total number of employees in employment at SCC was 14,440. 43.60% of employees were under 30 years old, and 56.11% were between 30 and 50 years old. Employees who have completed college or higher make up 42.89% of the workforce, and there are 28.18% more women than men. The educational level of employees has risen over the last three years.

Table of Changes in Employee Age Structure in the Past Three Years

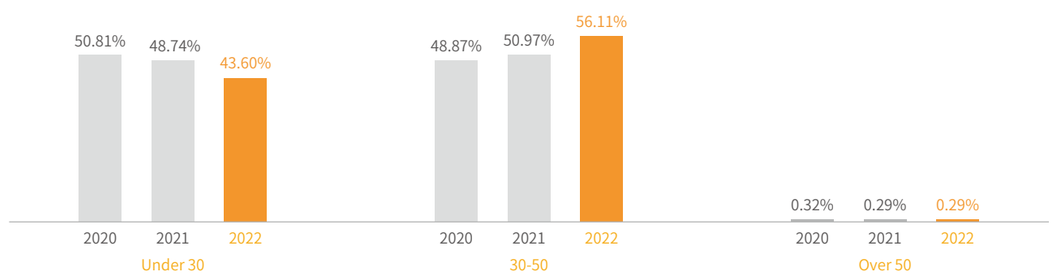


Table of Changes in Employee Education and Gender Structure in the Past Three Years

02 Salary, welfare and employee security

Based on the value of the post, SCC insists on equal pay for equal work and guarantees fairness in employment. At the same time, it advocates a culture of perseverant, encourages more earning for more work, and provides market-competitive salary for outstanding talents. Its performance evaluation coverage rate reaches 100%. The Company provides all its staff with all the required five insurances and one housing fund as stipulated in national laws and regulations and buys additional comprehensive accident insurance against the industry's characteristics and post risks. The Company protects the health of its staff by implementing staff health plan, regular physical examination and providing labor protection products for free. All employees are entitled to the paid statutory holiday, maternity leave, annual leave, and are provided with working meal, shuttle bus, etc. Moreover, the Company clearly adheres to the anti-discrimination policy, prohibits forced labor, prohibits hiring child labor, respects their personal freedom of belief, and protects their privacy.

In 2022, the contract signing rate of SCC was 100%, and there were no incidents that violated the basic rights and interests of employees during employment. In terms of employee benefits, the Company gave its employees 296 wedding leaves, 219 maternity and paternity leaves, 10,420 health check-ups, and 3,603 occupational health checks through its employee health plan. Additionally, there were 6.2 days of paid leave per person per year, effectively protecting the interests of employees.

◆ Employee representative assembly to protect the rights and interests of employees

On May 30, Shennan Circuits Co., Ltd.'s first-ever fifth Employees' Representatives Conference took place at the Longgang Manufacturing Base in Shenzhen. 155 employee representatives from the three locations, including Longgang, Wuxi and Nantong, attended the meeting. The goals of this meeting are to improve the democratic management of the business, protect the workers' legal rights and interests, foster positive workplace relations, and implement the workers' democratic management rights, such as the rights to information, expression, participation, and supervision. The conference reviewed and filed three employee proposals and voted on six administrative and human resource-related regulations, which helped further deepen harmonious employments.

▲ Voting for motions by staff representatives at the First Fifth Employees' Representatives Conference

03 Caring for employees and conveying the warmth of SCC

SCC continues to be concerned about the physical and mental well-being of its employees and has developed a psychological care platform called "Happiness Station" for employee. In-person training for local managers to recognize and address mental health issues is intended to help managers recognize their own psychological abnormalities and those of their staff and to respond to both in a timely manner.

▲ Mental health problem identification and response training for grassroots managers

On September 23, the Company organized a training on "Caring Leadership" for the grassroots managers for the first time in an effort to put the idea of employee care into better practice. The Company's vicepresident, Zhang Lijun, gave the participants an explanation of the distinction between "management" and "leadership," stressing that the essence of leadership is a form of personal charm attraction that makes team members want to follow the manager in order to accomplish the goal. The examples given in this training are all real stories happened in SCC, which will help grassroots managers to sprinkle and transfer the company's caring culture to every corner of SCC. In order to continually strengthen the capacity for caring of grassroots managers, the course will be offered in Wuxi and Nantong October and November as well.

▲ Empowering caring leadership for grassroots managers

04 Providing a more diversified platform to encourage employees to grow and develop better

Employees are the Company's valuable wealth and an important contributor to the sustainable development of the Company. SCC, based on the characteristics of talents and oriented to its strategies, continuously develops talent growth channels and carefully builds the career channels and the matched training systems for employees in different positions. After years of development, it has formed four training categories, i.e. leadership, professional power, general power and new employee on-job training.

The Company's multi-territory and multi-business portfolio has quickly developed, enhancing a more diversified growth platform for employees at all levels. In order to support the rapid growth of foundational talents at all levels and incubate high-quality industrial talents, the Company organizes various special activities for talent training and consistently provides qualified management and professional talents at all levels.

The implementation rate of the annual training plan for 2022 is 98%, with 56% of employees trained at the corporate level. They have an average of 30 hours of training, with 40% men and 16% women. All employees receive training across all departments, with more than 85 hours of training per person. The ones that are steadily promoted each year are the "Newly promoted managers," "Newly promoted senior supervisors" "Newly promoted supervisors," "Newly promoted directors," and "Newly promoted directors," who are primarily for leadership improvement. We will offer two "Newly Promoted Managers" courses in 2022 with 60 participants each and three "Newly Promoted Senior Supervisor" courses with 99 participants each. There are 6 classes for "newly promoted supervisors," each with 282 participants, and 3 classes for "newly promoted directors," each with 130 participants. The new employees participating in training reached 5,634, including 244 associate college students, 1,048 recruited from the public, and 685 "Golden Seed" participants recruited from schools.

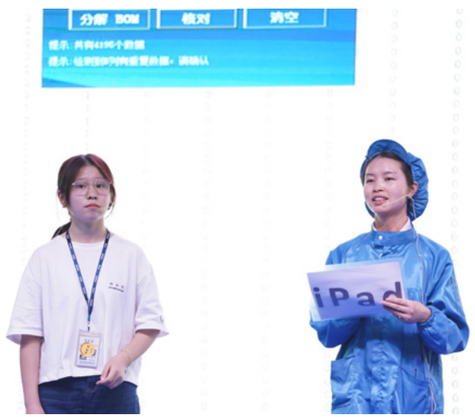
In 2022, SCC made additional improvements to the training-related systems and protocol documents. In terms of instructor reserve and course development, through the "Core Gardener" internal trainer development program, nearly 200 new internal instructors, including 70 certified internal instructors, were trained in 2022. Additionally, 50 internal training courses were created.

◆ Micro-Innovation: Innovative Shimmering, Illuminating "Digital"

In order to maintain the innovation vitality of the Company and enable ordinary employees to show their talents, the Company launched a "micro-innovation" activity in 2009 to encourage all employees to actively participate in the operation of the Company through innovation. After 13 years of development, the number of people participating in the "micro-innovation" activity every year has grown from dozens to thousands, and that the activity has become one of the important platforms to build the Company's innovation gene. In the digital environment, all employees use the light of each "micro-innovation" to illuminate the implementation and continuous optimization of the company's "digitalization".

	2019	2020	2021
Micro-innovation proposals (pcs)	8,486	7,820	5,330
Micro-innovation participants (person)	1,685	2,776	4,132
Lean Six Sigma (pcs) ▼	337	704	1,027
● Black Belt (pcs)	14	14	18
● Green Belt (pcs)	90	142	242
● Yellow Belt (pcs)	233	548	767
QCC (pcs)	254	329	426
Financial balance (10,000 yuan)	5,736	3,991	7,070

At the annual press conference of micro-innovation, the top digital projects were showcased and discussed in a variety of ways, including skits and speeches, giving participants an intuitive understanding of the cutting-edge concepts and techniques used by the winning projects.



◆ Case: Process change to make innovation has rules to follow

A strategic client of SCC has a product that requires higher PCB conductivity due to its larger size, and the thickness of the board hole copper (the copper plated on the PCB hole wall) has increased. The technical team members' analysis revealed that the product hole's copper thickness had tripled and that processing had become significantly more challenging. This design with thick hole-wall copper and thin surface copper currently has issues with plugging and uneven plating. In the industry, hole-wall copper can be as thick as 25 microns. This tricky project once became the "sore point" of Wang Bin in the technical department. Wang Bin, an expert in micro-innovation, has his own method for approaching technology. He skillfully carried out a number of procedures for this product. He adjusted the processing parameters, deployed the ratio of solution needed for processing, and optimized the tooling, but no real improvement was made. Thinking stuck, Wang Bin suddenly thought of the company is implementing the process change of new technology and new product, so he talked to the team of process change about the product problem. A breakthrough was eventually made after the process change team used new tools to search through everything together. When electroplating is being processed, the power lines are like a flood that will concentrate into isolated holes, resulting in an excess of current and an excessive amount of copper in the holes. If we apply the flooding principle, however, more gates will be opened when opening the gates, further dispersing the flood. Based on this principle, Wang Bin added copper strips to the power lines to distribute them, which fixed the issue and satisfied the customer's design requirements. Wang Bin's micro-innovation for this process improvement was the first in the industry and helped the customer solve the problem quickly at low cost. He exclaimed that the new procedure points the way of innovations.

▲ Wang Bin steps on the stage of micro-innovation again

◆ Making glory from the "Eager for Glory"

" Eager for Glory " is a project launched by SCC to explore the lightening points of ordinary employees. It encourages employees to be the better versions of themselves in work and life, and cultivate responsible and civilized consciousness and behavior from ordinary work and life, so that ordinary employees can achieve glory in the process of participating in the project. The Company held 12 Desire for Glory events in 2022. Employees have produced 3,600 winners and more than 18,000 card drops between them.

▲ The harder the employees work in the "Eager for Glory" program, the luckier they are

◆ Arousing the employees' interest in reading and cultivating their spirit of continuous learning

In order to arouse the employees' interest in reading and cultivate their spirit of continuous learning, SCC has opened an online club, "Happy Reading Camp", which conducts event every month. By 2022, it had conducted 12 events and had cultivated 1,162 fixed campers, with a total of 28,738 persons spent reading at the camp. The "Happy Reading Camp" association opened 20 shared bookcases or spaces in employee break rooms, pantries, campuses, and factories. It also launched the "Happy Reading Camp" (online library) so that staff members could scan barcodes to donate books, borrow books for free at any time, and return them for free. In SCC, April and November are designated as reading months. Through events like the recitation contest, book recommendations from famous authors, book bazaars, punch card challenges, book clubs, and sharing salons, more and more employees are encouraged to continue reading. To date, SCC Happy Reading has invited middle and senior managers and Happy Reading legends to recommend and sign more than 150 books, organized three book fairs, and displayed more than 2,000 books that are available for loan on site.

▲ Book market enjoyed by employees

▲ In a corner of the tea room, the fragrance of books is overflowing

05 2022, we are together

"Home of Hearts and Chips" is the home of strugglers. The Company is committed to building a sustainable connection between employees' work and life, not only creating an efficient, easy and caring working atmosphere for employees but also continuing to improve their sense of gain and happiness, and returning more caring life to the employees for their dedications and struggles. In 2022, the Company helped employees relax from work stress and improve their leisure time through various activities.

◆ The first photography exhibition of SCC opened in Longgang

In June, the first photography exhibition of SCC was opened in Longgang manufacturing base. Hundreds of photography enthusiasts and amateur photo experts from SCC submitted nearly 300 photos for the exhibition. The organizing committee chosed a total of 20 pieces, which were displayed offline in January. Colleagues who had gathered there for the activity each took a turn stopping to observe and comment, and they immediately left comments and compliments for the works they found admirable.

▲ Liking colleagues' photos at the photo exhibition

◆ Online Summer Camp and Happy Time

Every summer vacation, the SCC Parent-Child Summer Camp always brings more laughter and fun to employees. The rich and diverse experience programs broaden the children's minds, and the beloved parent-child interaction shorten the distance between employees and their children and bring them a sense of happiness. The SCC Summer Camp opened its doors in August 2022 with 281 kids from 227 family groups in Shenzhen, Wuxi, and Nantong. This camp encourages parents and kids to interact with science and technology, broaden their perspectives, and consider the future together by using science as its vehicle.

◆ Healthy exercise and Be energetic

The Company's labor union contributes money to associations that are started by employees on their own initiative and filled with enjoyable activities, such as basketball, soccer, badminton, fishing, and other games, in order to improve the Company's quality of free time. This has become a leisure hobby for many SCC employees.

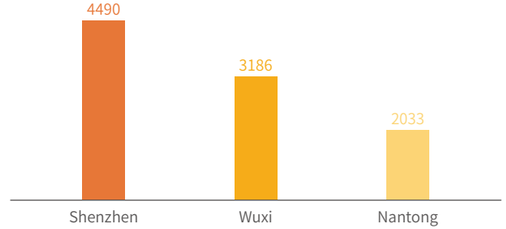
Supreme Life and Safe Development

SCC seriously implements national safety laws, regulations and ISO45001 requirements for occupational health and safety management systems. It follows the principles of life first, essential safety, and risk pre-control and uses safety development as its main reference point. It reinforces the development of a safety culture and puts into practice the organization's "12358" overall safety goal. In 2022, the Company's total investment in safety production exceeds 29 million yuan, with Zero General and above safety accidents, zero incidence of occupational diseases, and 100% completion rate of safety hazard rectification.

01 Comprehensively promoting intrinsic safety management and continuing to eliminate potential risks

The Company improved its crucial safety management capability in 2022 while revising the "Production Safety Responsibility System" in accordance with the most recent "Production Safety Law" requirements. A total of 9,709 safety hazards in Shenzhen, Wuxi, and Nantong were found and 9,675 corrections were made throughout the year with a 100% on-time correction rate. To ensure the safety of the working environment for all employees, each department of the company has implemented the primary responsibility and insisted on the activities against "irregular command, work violation, and labor discipline".

2022 Safety Hazard Identification

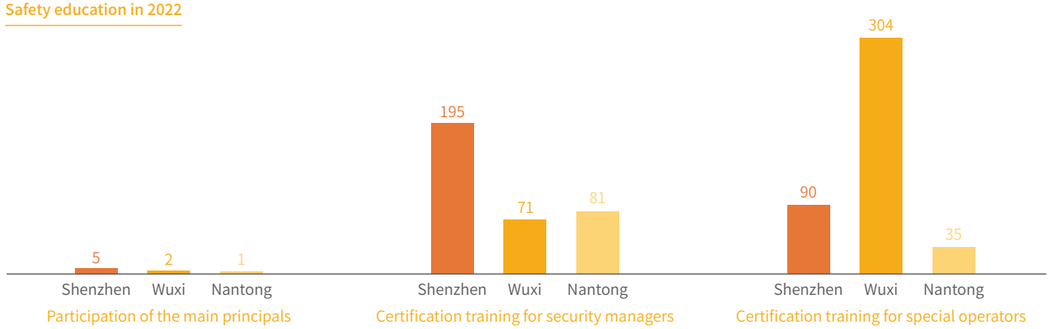


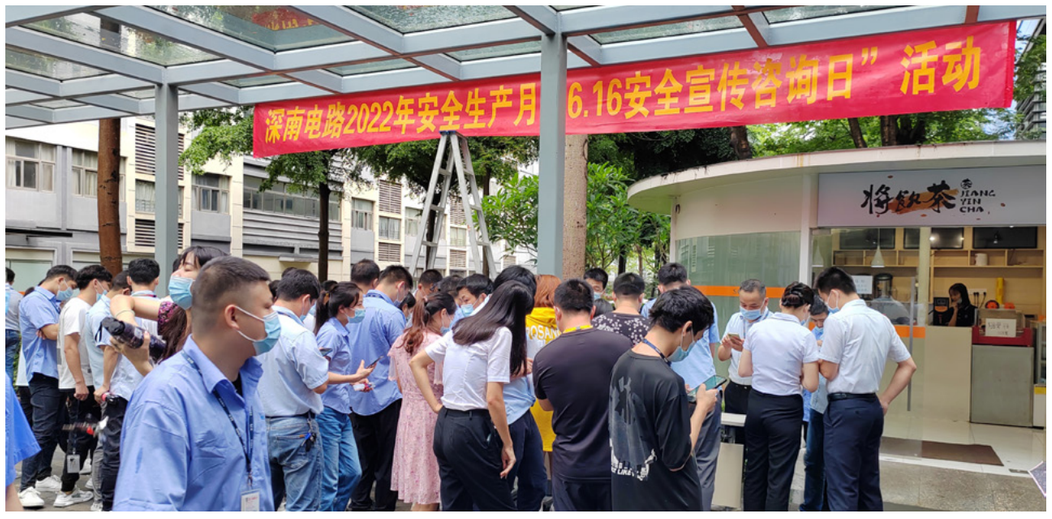
Number of potential hazards rectified

02 Comprehensively implementing safety education and enhancing safety awareness

In 2022, the completion rate of the three-level safety education training for new employees in Shenzhen, Wuxi, and Nantong reached 100%. Through training and upgrading, the number of safety management certificate holders was further increased with 347 new safety management license holders added, and 429 special operation personnel and license holders participating in re-education and training added, and 2,892 foreign construction unit operators and project leaders added. New employees, main responsible persons, safety management personnel at all levels, special operators and other key personnel in the three places of the Company all were certified 100% for their work.

Safety education in 2022



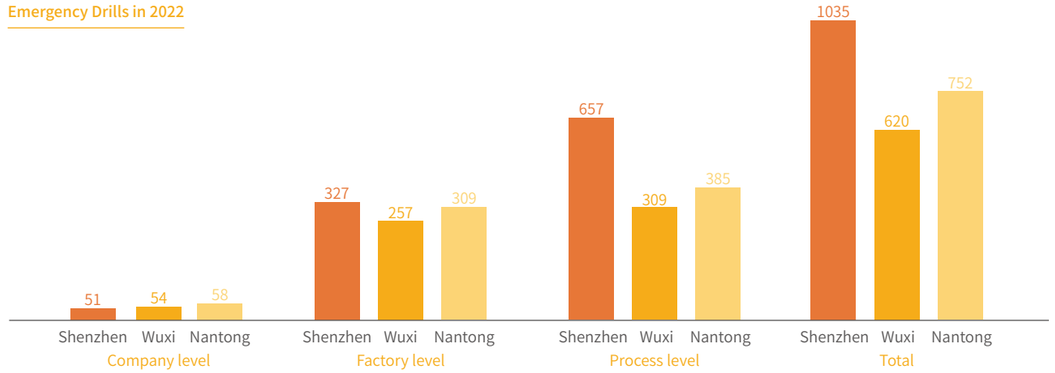


▲ The SCC continued to carry out safety education through various methods

03 Practical drills to continuously improve emergency response

In 2022, the SCC Safety Committee continues to improve the three-level emergency linkage mechanism and significantly strengthens factory-level drills. The Company performed 176 company-level drills, 893 factory-level drills, and 1,351 process-level drills. In order to ensure that every emergency commander was proficient in the use of emergency materials, the Company also organized training for 637 first- and second-level commanders of emergency materials in each plant across the three locations. This training covered the use of fire extinguishers, fire hose connections, suction pumps, CPR, and AED. Throughout the year, there were no more serious hazards in the three sites.

Emergency Drills in 2022



04 Strengthening occupational health protection and continuously improving the working environment

In 2022, SCC commissioned a professional testing organization with national accreditation to conduct a test of occupational disease hazards at a total of 2,081 points in three sites of the Company. Each one of them achieved no occupational diseases and met the requirements of national standards in one year.

05 Special improvement of mechanical damage hazards

In 2022, the Company combined with the actual scene to identify four types of high-risk mechanical injury types, such as mechanical arm collision, bridge crane collision, AS/RS and pallet truck collision, and hanging cage mechanical injury. All levels of emergency teams are now outfitted with emergency disposal capabilities after creating 132 on-site emergency treatment plans and conducting 135 emergency drills.

Additionally, one of the risks of mechanical injuries is in the staff handling equipment abnormalities in the disposal of violations. Traditional methods that rely on human inspection and video monitoring to find these violations have a significant blind spot and some lags. In order to solve this problem, the Company's Safety and Environmental Protection Department has come up with a creative digital solution by installing safety gratings and gates on the machinery. An alarm signal is automatically generated when the operation is violated. Additionally, in order to realize the violation reminder and accomplish the goal of preventing mechanical injury, the violation is simultaneously collected synchronously and immediately sent to the management staff. Without requiring new hardware, the program significantly reduces the workload associated with manual back checking. More than 50% fewer violations are committed overall, which significantly improves worker safety.

06 Ensuring information security

With the acceleration of SCC digital construction and intelligent manufacturing, the large increase of data has brought new challenges to the information security work, and the information security is of great significance for the digital business interconnection and stable and sustainable development in the future. Through technological innovation and management changes, the Company constantly upgrades network security strategies and technologies. This prevents data leakage and improves network security capability, and through building an active and sustainable information security team, helps customers to achieve data security and network security.

In terms of digital construction, SCC has launched the situational awareness system to roll out the threat monitoring and situational awareness scoring of the three sites every week, and report the list of risk assets, and the information security team deals with the problems by categories. This greatly improves the risk monitoring ability of the whole network, the accuracy of threat positioning and the timeliness rate of threat disposal. In 2022, the Company has monitored and blocked approximately 113 million network attacks and 8,571 endpoint security incidents (viruses, brute force attacks, etc.) throughout the whole year, with an overall disposal rate of 100%. In addition, the Company's factory networks are independent from each other, the production network and the office network are 100% isolated, and the firewall partition control structure can effectively prevent the large-area spread of the virus across the factory.

Giving back to the society

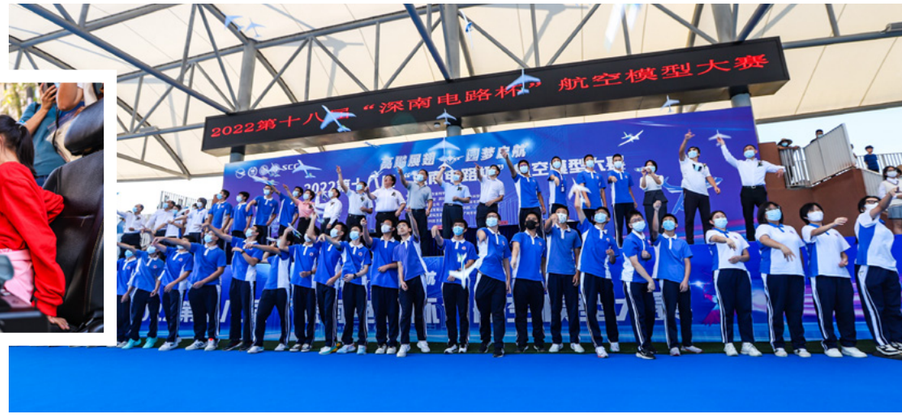
For a long time, SCC not only has adhered to the way of independent development, but also has been concerned about the sustainable development of society. Moreover, it has maintained a high degree of attention to popular issues from its actual situation and community needs. In 2022, SCC always sticks to its original intention and work closely with all parties to overcome difficulties and create a better future.

01 "Love accompanies growth, Knowledge builds dreams of youth" Online aviation science camp to accompany the children to build their dreams

In order to inherit the spirit of Feng Ru and cultivate the scientific and technological literacy of the youth, SCC, under the guidance of Guangdong Aerospace Society, held the 2022 online aviation science summer camp. The Company invited Shenzhen Senior High School's Liang Jianwen, Shiyan Public School's Huang Shengke, and the Second Experimental School's Liu Tiansheng to present the public courses "Making a model airplane from scratch," "Introduction to flight simulation for practical operation," and "Aviation Science Seminar," respectively. The course meets daily for one hour from August 1th through August 19th. Under the direction of teachers, it enables young people to easily learn about aviation, explore the wonders of aviation together, and develop their practical and hands-on skills.

Through a knowledge competition right after the course, the kids evaluated the outcomes of their learning. They received lovely mementos, such as rockers for flight simulators, magazines about aviation, and miniature models.

▲ Flight simulation lets youngsters feel the fun of flying



Flying Ceremony ▲

02 "SCC Cup" Aviation Model Competition came to Shenzhen High School Campus

▲ Young people are becoming the main participants of this technological sports game ▼

On October 29, the 18th 2022 SCC Cup Aviation Model Competition, with the slogan "Rocs Spread Wings, Dreams Set Sail," was held at the Shenzhen Senior High School Senior Park. Jiang Yuyang, Deputy Director of the Standing Committee of the Shenzhen People's Congress and Chairman of the Shenzhen Science and Technology Association, Zhao Li, Deputy Director of the Shenzhen Education Bureau, Sun Nan, Member of the Party Group of the Shenzhen Science and Technology Association; Huang Jie, Vice President of Shenzhen Senior High School and Secretary of the Joint Party Committee of Shenzhen Senior High School; Yang Zhicheng, Chairman of SCC; and other leading guests, as well as more than 800 teachers and students, attended the event.

Jiang Yuyang's announcement of the start of the competition marked the official beginning of the breathtaking air show. The audience cheered for fixed-wing models, 200 drones, bionic "Phoenix" models, Yangjiang kites, and fancy helicopters. Immediately after, a C919 electric aviation model launched from the hands of the visitors and students, carrying the aspiration of people to explore the sky from the high school park and the dream of young people to ride the sky.

The contest site was crowded with professionals, including a number of experienced competitors and model aviation enthusiasts. This year's competition set up a total of 6 aero models and drone events, and the high-level model airplane show competition brought a wonderful visual feast for Shenzhen citizens and model airplane enthusiasts. The competition set up nearly 10 interactive projects in addition to professional events, such as building a hand-cranked generator, a four-person helicopter experience, building rocket models, etc., to popularize aviation science through exhibition display, model creation, and simulated flight experiences. Participants can experience the fun of flying in all its facets and gain knowledge of aviation.

Annex 1: About the Report

◆ Report Audience

Since 2008, Shennan Circuits Co., Ltd. (hereinafter referred to as "SCC", or "the Company") has been taking the initiative to report the status of sustainable development to the public and invites the public to understand and supervise our sustainable development work. SCC issues the sustainable development report to the public every year to disclose the concept and practices of sustainable development of the Company, and promote the understanding, communication and interaction between the Company and the stakeholders as well as the Company and the public, so as to achieve sustainable development.

◆ Report Scope

The organizational scope of this Report covers all the entities whose financial and operational policies and measures the Company has a control right over or that the Company has a significant impact on, and that is covered by the Company's annual report. Unless otherwise specified, the Report describes the global operation of the Headquarters and all branches of SCC in terms of economy, environment and society within the reporting period (from January 1, 2022 to December 31, 2022), and all the data are taken from the formal documents and the 2022 Annual Report of Shennan Circuits Co., Ltd.

◆ Disclosure Principles

The Report is compiled in accordance with the relevant requirements of the Guidelines for the Standard Operation of Listed Companies in Shenzhen Stock Exchange (February 2020), by reference to the GRI Standards, the Corporate Social Responsibility Guide ISO26000, the Guidelines for Corporate Social Responsibility ISO26000, the HKEx Environment, Social and Governance Report Guidelines, and the Corporate Social Responsibility Evaluation Guidelines of Shenzhen, and on basis of the "core" scheme as set forth in GRI Standards. The Report mainly sets forth the issues from economy, environment and society, and focuses on the sustainable development practices of SCC in terms of customers, environment, employees, partners and communities.

As an independent report, the Report will be issued in Chinese in the first quarter of 2023 and English in the second quarter of 2023 (the previous report issued in the second quarter of 2022). In order to protect the environment and reduce the use of paper, please visit: www.scc.com.cn-About SCC-Social Responsibility to browse or download the Report online.

SCC would like to express thanks to the stakeholders offering suggestions and comments on the Sustainable Development Report of SCC and will persistently improve the report quality as usual. In case of any comments or suggestions on the Report, please contact SCC by the following means, and we also kindly invite you to participate in the 2022 stakeholder survey to let SCC know more about the sustainable development aspect you are concerned about.

◎ Address: 1639 Yanlong Avenue, Longgang District, Shenzhen, Guangdong Province, China

◎ Post code: 518117

◎ Tel: +86-755-89300000

◎ Fax: +86-755-89308100

◎ Email: csr@scc.com.cn

◆ Correction Statement

The energy consumption data table in the chapter on energy savings and consumption reduction has been retrospectively adjusted for the 2021 data due to differences in statistical calculation methods. It is hereby corrected and explained.

◆ Disclaimer

This document may contain predictive information. Uncertainties in practice may lead to difference between the actual results and the predictive information, so this document is only used for reference without any offer or commitment. Please understand that Shennan Circuits Co., Ltd. may modify the above information without any prior notice. Sorry for any inconvenience.

Annex 2: Index to Indicators

Index Number	DESCRIPTION	United Nations Sustainable Development Goals (SDGs)	ESG indicators: (China Social Responsibility Reporting Guidelines 5.0)	Page number
Part I: General Disclosures				
Organization Overview				
102-1	Organization Name		P4.1	9
102-2	Event, Brand, Product and Service		P3.1、P4.3、G3.11、S5.1、S5.3、S5.4、S5.5、S5.7、V2.1、V2.2、V2.3、V2.7	9、24-27
102-3	Headquarters Location		P4.1	9
102-4	Business Location		P4.1	9
102-5	Ownership and Legal Form		P4.1	9
102-6	Markets Served		P4.1、P4.3	9
102-7	Organization Scale		P4.4	43
102-8	Information about Employees and Other Workers			43-44
102-9	Supply Chain			36-37
102-10	Significant Changes in the Organization and its Supply Chain			36-37
102-11	Alert Principle or Policy			15-20
102-12	External Initiative			20-21
102-13	Membership of Association			No Change
Strategy				
102-14	Supreme Organizer Statement		P2.1、P2.2	2-3
102-15	Key Effects, Risks and Opportunities		G2.3	2-3、21、40-42
Ethics and Integrity				
102-16	Values, Principles, Standards and Codes of Conduct		P4.2、G1.3、G1.4、G1.5、G1.6、G1.7、G1.8、G1.10、G3.7	11、40-42
Governance				
102-18	Governance Structure		G3.1	17
102-19	Authorization			17
102-20	Responsibility of Executive Management for Economic, Environmental and Social Responsibility Issues		E1.1、E1.2、E1.6、V4.1、V4.2、V4.3	17、19、24、30、39

Annex 2: Index to Indicators

Index Number	DESCRIPTION	United Nations Sustainable Development Goals (SDGs)	ESG indicators: (China Social Responsibility Reporting Guidelines 5.0)	Page number
Part I: General Disclosures				
Governance				
102-21	Consultation with Stakeholders on Economic, Environmental and Social Issues	SDG16		20
102-22	Composition of the Highest Governance Body and Its Committees	SDG5、SDG16	G1.2	17、40
102-26	Role of the Highest Governance Body in Setting the Purpose, Values and Strategy	SDG16		15-17
102-27	Collective Recognition of the Highest Governance Body		G3.2、G3.3	15-17
102-29	Identification and Management of Economic, Environmental and Social Impacts			18-21
Stakeholder Participation				
102-40	List of Stakeholder Groups			20
102-41	Collective Agreement Negotiation			20
102-42	Identification and Selection of Stakeholders			20
102-43	Stakeholders' Participation Policy		G3.6	20
102-44	Main Issues and Concerns Raised			21
Reporting Practice				
102-45	Entities Covered in the Consolidated Financial Statements		P1.1、P1.2、P1.3	56
102-46	Define Report Content and Issue Boundaries		P1.2	56
102-47	List of Substantive Issues		P1.2	56
102-48	Information Restatement		P1.2	31
102-49	Report Change		P1.2	56
102-50	Reporting Period		P1.2	56
102-51	The Latest Reporting Period		P1.2	56
102-52	Report Cycle		P1.2	56
102-53	Contact Information for the Issues on this Report		P1.2	56
102-54	Statement of Compliance with GRI Standards for Reporting		P1.1、P1.2	56
102-55	GRI Content Index		P1.2	57-61
102-56	Third-party Authentication			\
Management Method				
103-1	Explanation of Substantive Issues and Their Boundaries		G3.5	20-21
103-2	Management Method and Its Components			20
103-3	Evaluation of Management Method			20

Index Number	DESCRIPTION	United Nations Sustainable Development Goals (SDGs)	ESG indicators: (China Social Responsibility Reporting Guidelines 5.0)	Page number
Part II: Specific Standard Disclosure Items				
Economical				
Business performance				
201-1	Directly Generated and Distributed Economic Value	SDG2、SDG5、SDG7、SDG8、SDG9	A2	12-13
Indirect Economic Impact				
203-1	Infrastructure Investment and Support Service	SDG2、SDG5、SDG7、SDG9、SDG11		\
203-2	Significant Indirect Economic Impact	SDG1、SDG2、SDG3、SDG8、SDG10、SDG17	V3.4、V3.5、A2	12-13、54-55
Procurement Practice				
204-1	Proportion of Spending for Procurement from Local Suppliers	SDG12		35
Anti-corruption				
205-1	Operation Sites with Corruption Risk Assessment Performed	SDG16		42
205-2	Communication and Training of Anti-corruption Policies and Procedures	SDG16	G1.3、G1.4、G1.5、G1.6、G1.7、G1.8	42
205-3	Confirmed Incidents of Corruption and Actions Taken	SDG16	G1.9	No occurrence during the reporting period
Misconduct				
206-1	Legal Action Against Unfair Competition Practices, Antitrust and Antitrust Practices	SDG16		No occurrence during the reporting period
Environment				
Energy				
302-4	Reduce Energy Consumption	SDG7、SDG8、SDG12、SDG13	P3.1、E1.3、E1.5、E1.8、E2.1、E2.2、E2.3、E2.4、E5.2、E5.5、E5.6、E5.7	4-5、31
302-5	Reduce Energy Demand for Products and Services	SDG7、SDG8、SDG12、SDG13		25
Water Resources				
303-1	Interaction between Organization and Water (as a shared resource)	SDG6	E2.9	32
303-2	Management of Drainage-related Impacts	SDG6	E3.1、E3.2	32

附件 2：指标索引

Index Number	DESCRIPTION	United Nations Sustainable Development Goals (SDGs)	ESG indicators: (China Social Responsibility Reporting Guidelines 5.0)	Page number
Part II: Specific Standard Disclosure Items				
Water Resources				
303-5	Water Consumption	SDG6	E2.10、E2.13	32
Emission				
305-5	Greenhouse Gas Reduction	SDG13、SDG14、SDG15		31
Sewage and Waste				
306-4	Transport of Hazardous Waste	SDG3、SDG12	E3.8	33-34
Environmental Compliance				
307-1	Violation of Environmental Laws and Regulations	SDG16	E1.9	No occurrence during the reporting period
Supplier Environmental Assessment				
308-1	New Suppliers Screened with Environmental Criteria	SDG12	S6.1、S6.2、S6.3	35
308-2	Negative Impact of Supply Chain on Environment and Actions Taken	SDG12	S6.4	No occurrence during the reporting period
Social				
Employment				
401-2	Benefits for Full-time Employees (excluding temporary or part-time employees)	SDG3	S1.8、S1.9	44
Occupational Health and Safety				
403-1	Occupational Health and Safety Management System	SDG8	S3.2、S3.3、S3.4、S3.8、S3.10	51
403-2	Hazard Identification, Risk Assessment and Incident Investigation	SDG3、SDG8	S3.6、S3.7、S5.6	51-53
403-3	Occupational Health Service	SDG3、SDG8	S3.1	53
403-4	Occupational Health and Safety Training for Workers	SDG8	S3.5、S3.9	52-53
403-6	Promote Worker Health	SDG8		44、52-53
403-7	Prevent and Mitigate Occupational Health and Safety Impacts Directly Related to Business Relationships	SDG8		52-53
Training and Education				
404-2	Employee Skills Upgrading Program and Transition Assistance Program	SDG8	S2.1、S2.2、S2.4	6-7、45-48
404-3	Percentage of Employees Receiving Regular Performance and Career Development Reviews	SDG5、SDG8		44

Index Number	DESCRIPTION	United Nations Sustainable Development Goals (SDGs)	ESG indicators: (China Social Responsibility Reporting Guidelines 5.0)	Page number
Part II: Specific Standard Disclosure Items				
Diversity and Equal Opportunity				
405-1	Governance Body and Employee Diversity	SDG5、SDG8	S1.1、S1.2、S1.3、S1.4、S1.6	43
405-2	Basic Wage and Remuneration for Male and Female Employees	SDG5、SDG8、SDG10	S1.7	43-44
Anti-discrimination				
406-1	Incidents of Discrimination and Corrective Actions Taken	SDG5、SDG8、SDG16		No occurrence during the reporting period
Child Labor				
408-1	Operation Sites and Suppliers at Risk of Significant Child Labor Incidents	SDG8、SDG16		No occurrence during the reporting period
Forced Labor				
409-1	Operation Sites and Suppliers at Risk of Significant Forced Labor Incidents	SDG8		No occurrence during the reporting period
Supplier Social Assessment				
414-1	New Suppliers Screened with Social Criteria	SDG12	S6.1、S6.2、S6.3	35
414-2	Negative Impact of Supply Chain on Society and Actions Taken	SDG12	S6.4	No occurrence during the reporting period
Customer Health and Safety				
416-2	Violations Involving Health and Safety Impact of Products and Services	SDG16	B6：一般披露、	No occurrence during the reporting period
Customer Privacy				
418-1	Proved Complaints Related to Breach of Customer Privacy and Loss of Customer Data	SDG16		No occurrence during the reporting period
Social and Economic Compliance				
419-1	Violation of Social and Economic Laws and Regulations	SDG11		No occurrence during the reporting period

Shennan Circuits Co.,Ltd.

Address:No.1639 yanlong Avenue,Pingdi Street,Longgang District,Shenzhen City
Post code:518117
Telephone:+86-755-89300000

Wuxi Shennan Circuits Co.,Ltd.

Address:No.18Changjiang East Rd.,Xinwu District,Wuxi City,Jiangsu Province,China
Post code:214142
Telephone:+86-510-89980000

Address:No.99 Qiaocheng East Rd.,Nanshan District,Shenzhen City,Guangdong Province,China
Post code:518053
Telephone:+86-755-89300000

Nantong Shennan Circuits Co.,Ltd.

Address:No.168 Xiwang Avenue,High-Tech Zone,Nantong City,Jiangsu Province,China
Post code:226368
Telephone:+86-513-86550000

www.scc.com.cn

Copyright©Shennan Circuits Co.,Ltd.