

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2019/2020

STOCK CODE : 125

  
SUN HING VISION GROUP HOLDINGS LIMITED

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

Sun Hing Vision Group Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are pleased to present the Environmental, Social and Governance Report (the “ESG Report”) for the year ended 31 March 2020. This report is prepared in accordance with the applicable requirements of the “Environmental, Social and Governance Reporting Guide” (the “ESG Guide”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Unless stated otherwise, the scope of this report covers the Group’s major production site located in Dongguan city, Guangdong province (collectively referred to as the “Relevant Entity”). The covered production site engages in manufacturing of eyewear products. The Relevant Entity covers the major production facilities of the Group and represents a significant portion of the Group’s operation. The Group has assessed that the Relevant Entity is material to its operation. Key environmental and other information of the Relevant Entity is therefore presented in the ESG Report to allow readers to understand the Group’s performance in various sustainability aspects through the Relevant Entity. The Group will carry out periodical review to examine the scope of the ESG Report and may change its coverage in future if needs arise.

Information contained in this report covers the period starting from 1 April 2019 to 31 March 2020, which is consistent with the period covered in the Annual Report of the Group. There is no significant change in scope of this report from that of the ESG Report as included in the Annual Report of the Group for the year ended 31 March 2019.

## OUR APPROACH TO SUSTAINABILITY

The Group is committed to promote sustainable development for the environment and society. It has set up a project team to monitor relevant environmental and social matters, promote the related policies established by the Group and prepare the information as required to be disclosed by the ESG Guide. The Group believes that cross functional involvement and top management support are two elements which are important to the effective management of environmental and social matters. Therefore, the project team established by the Group is comprised of representatives from various departments and reports directly to the board of directors of the Group (the “Board”) when issues are identified. The Board takes a proactive role in managing environmental and social matters. In line with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Board is responsible for evaluating and determining the Group’s risks related to environment and social governance and ensuring that appropriate and effective risk management and internal control systems are in place. Further details of the Group’s risk management and internal control systems are set out in the “Corporate Governance Report” contained in the Annual Report of Sun Hing Vision Group Holdings Limited and its subsidiaries for the year ended 31 March 2020.

The Group adopts a proactive approach to manage environmental and social matters, with general objectives including:

- to comply with the applicable and relevant environmental and social laws and regulations;
- to reduce wastage and release of harmful substances (if any) to the environment;
- to minimize the consumption of natural resources;

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- to promote product safety and improve product quality;
- to promote workplace safety and ethics; and
- to establish a systematic method to keep track of the Group’s performance in environmental and social aspects.

During the year ended 31 March 2020, the Group did not receive from related government authorities any notice related to major violation of the applicable environmental and social laws and regulations that have a significant impact on the Group. Important laws, regulations, rules and standards that may affect the Group’s operation include:

- Environmental Protection Law of the People’s Republic of China (“PRC”)
- Atmospheric Pollution Prevention and Control Law of the PRC
- Water Pollution Prevention and Control Law of the PRC
- Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste
- Standard for Pollution Control on Hazardous Waste Storage of the PRC
- Labor Law of the PRC
- Labor Contract Law of the PRC
- Law of the PRC on the Protection of Disabled Persons
- Law of the PRC on the Protection of Minors
- Product Quality Law of the PRC
- Trademark Law of the PRC
- Patent Law of the PRC
- Advertising Law of the PRC
- Anti-Unfair Competition Law of the PRC
- Company Law of the PRC

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

In order to identify the most significant environmental and social issues, the Group has taken key stakeholders including investors, shareholders, employees, customers and suppliers into consideration. The content of the ESG Report is determined based on the extent of impact that various sustainability matters affect the Group's stakeholders and the extent of relevance that various sustainability matters influence the Group. Formal assessment is carried out annually by a specific project team which reviews each major environmental and social issue in the light of materiality after conducting interview with the heads of various departments, examining the position of key stakeholders as well as reviewing different aspects of operation. For the year ended 31 March 2020, the Group's specific project team has completed its annual assessment and the result is summarized as below:

### DECISION MATRIX

Impact on Stakeholders	HIGH	<p><b>Areas Identified as Relevant for Discussion in the ESG Report</b></p> <ul style="list-style-type: none"> <li>– Anti Corruption (including bribery prevention and fraud prevention)</li> <li>– Community Investment (including involvement in the community and social contribution)</li> </ul>	<p><b>Areas Identified as Critical for Disclosure in the ESG Report</b></p> <ul style="list-style-type: none"> <li>– Emissions (including greenhouse gas and other emission and waste disposal)</li> <li>– Use of Resources (including resources consumption and energy efficiency)</li> <li>– Environment and Natural Resources (including usage of scarce resources and influence to environment)</li> <li>– Product Responsibility (including compliance with product safety standards and quality assurance)</li> </ul>
	LOW	<p><b>Areas Identified as Not Material for Discussion and Disclosure in the ESG Report</b></p> <ul style="list-style-type: none"> <li>– Other matters</li> </ul>	<p><b>Areas Identified as Relevant for Discussion in the ESG Report</b></p> <ul style="list-style-type: none"> <li>– Employment (including compensation and dismissal, equal opportunity and anti-discrimination)</li> <li>– Health and Safety (including workplace safety and employee protection)</li> <li>– Development and Training (including employee development and continuous improvement)</li> <li>– Labor Standards (including compliance with employment regulations and standards)</li> <li>– Supplier Chain Management (including quality control and environmental and social risk management on supply chain)</li> </ul>
		LOW	HIGH
		<b>Relevance to the Group</b>	

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group welcomes stakeholders' feedback on our approach to substantiality. Suggestions can be sent to us by registered mail to the Company's registered address and its Hong Kong principal office.

The Group established policies and carried out various measures that cover different sustainability aspects. Their major features, together with the relevant and applicable environmental key performance indicators ("KPI") as required to be disclosed according to the ESG Guide, are outlined in different sections of this report.

### ENVIRONMENT

#### EMISSIONS AND USE OF RESOURCES

The Group targets to minimize the emission of greenhouse gas and other wastages. Policies are adopted which aim at complying with the applicable requirements of the laws, regulations, rules and practices on emission and use of resources that have a significant impact on the Group. Due to the Group's business nature, the major source of the Group's air emission is greenhouse gas indirectly derived from daily consumption of electricity during the operation. The Group develops policy to reduce electricity usage. Campaigns are carried out and notice boards are installed in the Group's premises to encourage employees to save energy. The Group deploys real-time system to monitor abnormal electricity consumption and gather data through the system to identify areas for optimization on usage. The data for electricity usage is analyzed, reported monthly and shared within the Group to allow different departments to benchmark their energy usage and understand the overall energy performance. When machineries and equipments are acquired, the Group has preference to acquire high-energy performance products when possible. Lighting and air conditioning systems are configured in an optimized way to ensure efficient use of electricity.

The consumption of petrol and diesel oil by vehicles used during operation is another source of the Group's emission of greenhouse gas and other gases. Whenever possible, the Group will acquire vehicles that comply with the prevailing standards on fuel consumption and air emission. The Group has policy to require vehicles to be properly maintained in good condition and to be retired if their total travel mileage reaches certain pre-determined levels. In addition, the Group minimizes its use of delivery trucks by optimizing its goods delivery schedule and increases the efficiency of loading per truck.

The Group uses natural gas in some of its facilities, but the consumption and its associated air emission are relatively insignificant. The management of the Group encourages the use of alternative energy that is cleaner and more sustainable. Other than natural gas, solar energy has also been used to reduce the reliance on traditional fossil energy.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The key environmental data on air emission and greenhouse gas emission generated by the Relevant Entity during the year ended 31 March 2020 and 2019 is summarized as below:

Type of Emission	Total Emission	Intensity (Note)
<b>For the year ended 31 March 2020</b>		
Nitrogen Oxides (NO <sub>x</sub> )	84.39 kg	1.26 g/m <sup>2</sup>
Sulphur Oxides (Sox)	0.53 kg	0.01 g/m <sup>2</sup>
Particulate Matters (PM)	7.17 kg	0.11 g/m <sup>2</sup>
Greenhouse Gas (GHG)		
– Scope 1	169.70 tonnes	2.54 kg/m <sup>2</sup>
– Scope 2	20,030.63 tonnes	299.79 kg/m <sup>2</sup>
– Scope 3	852.98 tonnes	12.77 kg/m <sup>2</sup>
<b>For the year ended 31 March 2019</b>		
Nitrogen Oxides (NO <sub>x</sub> )	96.30 kg	1.44 g/m <sup>2</sup>
Sulphur Oxides (Sox)	0.55 kg	0.01 g/m <sup>2</sup>
Particulate Matters (PM)	7.97 kg	0.12 g/m <sup>2</sup>
Greenhouse Gas (GHG)		
– Scope 1	216.01 tonnes	3.23 kg/m <sup>2</sup>
– Scope 2	22,264.92 tonnes	333.23 kg/m <sup>2</sup>
– Scope 3	994.25 tonnes	14.88 kg/m <sup>2</sup>

Note: Intensity is calculated based on the total floor area of the premises used by the Relevant Entity.

Energy consumed by the Relevant Entity during the year ended 31 March 2020 and 2019 is summarized as below:

Type of Energy	Total Consumption	Intensity (Note)
<b>For the year ended 31 March 2020</b>		
Electricity	31,400,889 kWh	469.97 kWh/m <sup>2</sup>
Petrol and Diesel Oil	26,552 l	397.40 ml/m <sup>2</sup>
Natural Gas	36,121 m <sup>3</sup>	0.54 m <sup>3</sup> /m <sup>2</sup>
<b>For the year ended 31 March 2019</b>		
Electricity	34,903,461 kWh	522.39 kWh/m <sup>2</sup>
Petrol and Diesel Oil	33,423 l	500.23 ml/m <sup>2</sup>
Natural Gas	57,379 m <sup>3</sup>	0.86 m <sup>3</sup> /m <sup>2</sup>

The Relevant Entity used solar energy in some of its facilities. In view that the consumption is immaterial, the related data is not disclosed above.

Note: Intensity is calculated based on the total floor area of the premises used by the Relevant Entity.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group is committed to reduce wastages and incorporates such commitment in its policy. The Group believes that efficient use of resources is an important measure to minimize wastage. It therefore establishes policy and procedures in different aspects to reduce consumption of various resources. Production processes are well scheduled to minimize excessive stocking and usage of raw materials, packaging materials and loose tools. Surplus materials and scraps are arranged for re-use whenever possible in order to reduce solid waste. The Group encourages employees to reduce paper consumption and recycle used papers. Devices are installed in some of the Group's printers and photocopy machines to monitor paper usage. In addition, the Group requires production units to minimize water consumption. Meters and sub-meters are installed in the factory to monitor and control any inefficient usage of water. Water used by the Group is sourced from clean and safe source and is properly treated to ensure that it is fit for production. Certain equipments are also installed in the Group's premises to treat water before discharge. Non-hazardous wastes generated during the operation are stored, processed and disposed in a hygienic manner. When hazardous wastes are identified, they will be handled by following the applicable requirements of the local laws and regulations. The Group employs government certified service providers to manage the disposal of hazardous wastes. When substitution is available, non-hazardous raw materials is preferred to be used in order to reduce the generation of hazardous waste.

Data of wastages produced by the Relevant Entity during the year ended 31 March 2020 and 2019 is summarized as below:

Type of Wastages	Quantity	Intensity (Note)
<b>For the year ended 31 March 2020</b>		
Non-hazardous Waste	326 tones	4.88 kg/m <sup>2</sup>
Hazardous Waste	159 tones	2.38 kg/m <sup>2</sup>
<b>For the year ended 31 March 2019</b>		
Non-hazardous Waste	440 tones	6.59 kg/m <sup>2</sup>
Hazardous Waste	131 tones	1.97 kg/m <sup>2</sup>

Note: Intensity is calculated based on the total floor area of the premises used by the Relevant Entity.

Major resources (other than energy) used by the Relevant Entity during the year ended 31 March 2020 and 2019 are summarized as below:

Type of Resources	Quantity	Intensity (Note)
<b>For the year ended 31 March 2020</b>		
Water	298,807 m <sup>3</sup>	4.47 m <sup>3</sup> /m <sup>2</sup>
Packaging Materials for Finished Goods	121 tonnes	1.81 kg/m <sup>2</sup>
<b>For the year ended 31 March 2019</b>		
Water	382,910 m <sup>3</sup>	5.73 m <sup>3</sup> /m <sup>2</sup>
Packaging Materials for Finished Goods	142 tonnes	2.13 kg/m <sup>2</sup>

Note: Intensity is calculated based on the total floor area of the premises used by the Relevant Entity.

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)**

### **ENVIRONMENT AND NATURAL RESOURCES**

The Relevant Entity has established an environment management system which is credited with ISO14001:2004 certification. The Group promotes the concept of clean production by carrying out relevant activities in an environmentally friendly manner. Scarce natural resources will not be employed in production unless they are not avoidable. The Group also promotes green awareness among its workforce. Employees are encouraged to reduce their negative impact to the environment and raise out ideas which can help the Group to operate in a more sustainable way. The Group adopts various measures, supported by established policy, to control the usage of resources as well as minimizing emission and waste disposal. Further details can be referred to the section headed "Emissions and Usage of Resources" in the ESG Report.

### **SOCIAL**

#### **EMPLOYMENT AND LABOUR PRACTICES**

The Group conceives employees as its important asset and is concerned about their well being. Competitive remuneration package is provided to attract talents to join the Group. The Group adopts human resources policy that follows the applicable requirements of the relevant laws and regulations in connection with compensation, dismissal, recruitment, promotion, working hours, rest periods, equal opportunity, diversity and anti-discrimination. Statutory requirements on minimum wages are observed when compensation is planned for employees. Recruitment, promotion and dismissal are carried out on a fair and objective basis of which their details are further discussed in the section headed "Development and Training" of the ESG Report. The Group believes that work-life balance is important for stimulating employees' productivity and innovation. It encourages employees to properly allocate their times for work and other aspects of life. As such, the Group regularly organize recreational activities for employees to relieve their work pressure. The Group also promotes the concept of equal opportunity and incorporates it into the Group's code of ethics. Employees with different backgrounds are welcome to join the Group so to ensure that a balanced view and diversified skill sets can be maintained within the Group. No employee is allowed to be subject to any form of discrimination in employment on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.

#### **HEALTH AND SAFETY**

The Group is aware of the importance of occupational safety and health. It requires every department of the Group to comply with the applicable requirements of the relevant laws and regulations in connection with work environment safety and protection from occupational hazards and adopts policy that follow the applicable provisions of the above laws and regulations. In order to minimize the occurrence of accident and injury, the Group arranges appropriate protective equipments and clothing to employees. In addition, workplace is maintained in a hygienic condition and its layout is properly designed with first aid facilities and emergency exits being installed. Training is provided to employees and safety procedures are established for the identified work positions that may be exposed to potential danger. Insurance and health checks are also provided to the applicable qualified employees according to the policy of the Group.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### DEVELOPMENT AND TRAINING

The management of the Group believes that training plays an important role to enhance productivity and efficiency. It is also critical for building corporate culture. The Group therefore has established policy which aims at improving employees' knowledge and skills for discharging duties at work. For new joining employees of certain applicable job positions, tailor-made pre-job training is provided to them before they are directed to the workplace. Furthermore, ongoing training programs, ranging from hands-on operating technique, product knowledge, departmental procedures to management skills, are periodically provided for appropriate positions of employees either by internal training team of the Group's human resources department or through external consultants. The Group will subsidize qualified employees to attend job related courses and seminars organized by external service providers. In order to let employees have a well-defined career path, job design and organization structure are carefully implemented to provide employees with work incentives. The Group has structured assessment program and appraisal system to evaluate the performance of employees based on objective criteria. Promotion, job rotation or dismissal (if any) of employees are determined with reference to the results of assessment.

### LABOUR STANDARDS

The Group observes the principles of certain prevailing international labour standards and has established policy that follows the applicable requirements of the laws and regulations related to child and forced labour. In addition, the Group incorporates the applicable principles of labour standards in its code of ethics, which disallows forced labor, prison labor, indentured labor and exploited labor. Such code also disallows persons younger than the age required by the local statutory requirements or the age of completing compulsory education in the country of operation to be employed.

### SUPPLY CHAIN MANAGEMENT

Suppliers and sub-contractors play an important role in maintaining the Group's product quality. The Group has policy on selection of suppliers and sub-contractors, and only allows approved vendors to be employed. Product and service specification are reviewed before orders are placed and incoming materials will be examined by the quality assurance team of the Group according to the preset programs before they are allocated to the production lines. The Group establishes system to monitor vendors' performance based on their product quality and supply lead time. Their performance is ranked and communicated in the periodic vendor meetings so that feedback can be provided to them for further improvement. The Group manages the environmental and social risks associated with supply chain by setting up policy which requires vendors to comply with the Group's code of ethics. Meanwhile, vendors are required to supply the Group with materials which are free of applicable restricted harmful substances. If need arises, materials provided by vendors will be arranged for testing by independent laboratory on sample basis to verify for compliance.

### PRODUCT RESPONSIBILITY

The Group has well established policy that follows the applicable and relevant laws and regulations related to product standards, consumer health and safety and labeling. The aim of the policy is to ensure that the Group's products can meet pre-defined specifications and quality requirements. The Relevant Entity has a quality management system which is certified to comply with ISO9001. Different quality assurance procedures are also developed by considering the prevailing requirements of major international product standards. The Group requires its vendors to comply with the same standards as well as other applicable laws and regulations on aspects such as product safety, product testing, measurement and labeling. In addition, the Group maintains product liability insurance that provides coverage to the applicable products.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

During the year ended 31 March 2020, the Relevant Entity received 71 (2019: 83) cases of formal and verified complaint related to product quality from customers. The Group views customers as its important long term partners to achieve mutual business success and will follow up complaints in a timely manner. When complaints are received and verified as valid, the Group will review their nature, identify the root cause and the critical issues involved and assign relevant departments (including production team, logistic team and customer service team) to establish remedy action plan for correction. The Group believes that customer complaint is an important channel of market feedback and considers complaint handling as a critical part of its continuous improvement process.

The Group periodically reviews its product quality and has established standards and procedures to deal with defective products (if any). When defective products are identified, the Group will carry out appropriate remedy measures (including product rework, product return and product recall) depending on the extent and impact of the defect found. During the year ended 31 March 2020 and 2019, the Group did not carry out any product recall from consumer market.

The Group adopts policy which follows the applicable and relevant laws and regulations in connection with consumer data protection. Due to the nature of the Group's business, the Group's customers are mainly corporate entities and they may communicate with the Group for their private data during the ordinary course of business. The Group requires important private data provided by customers to be properly stored in secured physical locations or electronic devices with access control. Customer data is only allowed to be accessed by the employees who need to know the data for the purpose of performing their work related duties and those employees are required to strictly follow the confidential obligations as set out in the Group's code of ethics.

The Group does not often arrange consumer advertising because of its business nature. Its exposure to the social risk in connection with advertising is low. In case the Group needs to place advertisement, it will observe the prevailing legal requirements on product description and fair competition. Offensive content will be avoided and materials will be used in the advertisement only if they do not constitute any infringement to third party's rights.

### ANTI-CORRUPTION

The Group regards ethics and integrity as its important core values. It has policy which follows the applicable requirement of the relevant laws and regulations on bribery, extortion, fraud and money laundering. Some of those requirements are also incorporated in the Group's employees' handbook and code of ethics. The Group requires its employees to be honest and avoid the situation of any conflict of interests. Employees are also not allowed to receive gift that may exceed normal commercial or courtesy practice.

### COMMUNITY INVESTMENT

The Group encourages its employees to dedicate their time to support the local community. The Group also participates, from time to time, in charity activities (such as donation of eyewear products to non-profit organizations and fund raising events).

