



RISECOMM

瑞斯康

# Risecomm Group Holdings Limited

## 瑞斯康集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1679



# 2017

## Environmental, Social and Governance Report

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# Environmental, Social and Governance Report

## ABOUT THIS REPORT

Risecomm Group Holdings Limited (the “**Company**”), together with its subsidiaries (“**Risecomm Group**” or the “**Group**”), is pleased to present the first Environmental, Social and Governance Report (the “**Report**”). This Report contains disclosure of the Group’s commitments of discharging its environmental and social responsibilities in 2017, in order to reflect the Group’s practices and efforts in promoting environmental protection, conserving energy, reducing emissions and discharging social responsibilities to achieve sustainable development and continuously meet the needs and expectations of various stakeholders.

### Reporting Period and Scope

The reporting period of the information covered by this Report is from January 1, 2017 to December 31, 2017 (the “**Reporting Period**”), which is the same as the financial year covered by the Group’s 2017 annual report (“**2017 Annual Report**”). This Report summarizes the efforts contributed by the Group in respect of corporate social responsibility in 2017, covering its operating activities, such as design, development and sale of power-line communication (“**PLC**”) products as well as the provision of relevant maintenance services in connection with the deployment and upgrade of Automated Meter Reading (“**AMR**”) systems by power grid companies in the People’s Republic of China (“**PRC**”) and for a wide range of applications related to energy saving and environmental protection.

As it is the first time for the Company to publish the Report, it only discloses basic data of key performance indicators that the Group considers important. The Group will continue to optimize and improve the extent of disclosure. The Report highlights that the Group fulfilled environmental and social responsibilities while carrying out operation. As for relevant information in respect of corporate governance, details are set out in p.43-p.52 of the 2017 Annual Report. This Report was published in both Chinese and English. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

### Basis of Preparation

This Report is prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) — “Environmental, Social and Governance Reporting Guide” based on the principles of materiality, quantitative, balance and consistency, and has complied with the “comply or explain” provisions as set out in the Listing Rules.

### Objective of the Report

We fully integrate environmental, social and governance considerations into the Group’s operation as an integral part of its corporate development strategy, with a particular focus on fostering closer connection with our stakeholders, listening to their voices, working openly with partners to overcome challenges, caring for and growing with employees, and taking on more responsibility within society, in order to seek continuous improvement.

For further information, please visit: <http://www.risecomm.com.cn>

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by email to [ir@risecomm.com.hk](mailto:ir@risecomm.com.hk).

# Environmental, Social and Governance Report

## INTRODUCTION

Risecomm Group has recognized the importance of corporate sustainable development. As stakeholders have higher expectation for corporate responsibility performance, we are committed to being a responsible operator and creating value for stakeholders and society by taking into account environmental and social factors before making business decisions. We believe that these strategies help in enhancing business excellence and capabilities for long-term competitiveness, which is crucial to the Group's business growth. The Group has established and implemented appropriate policies to manage and monitor the risks related to the environment, employment, operating practices and community. Details are set out in this Report.

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## ABOUT RISECOMM GROUP

Risecomm Group is a High and New Technology Enterprise (“**HNTE**”) which engages in scientific research, product development and the provision of technical services. With its headquarters situated in Shenzhen, the PRC, Risecomm Group also has offices in Beijing, Wuxi, Changsha and Hong Kong, the PRC. The Group's production, research & development (“**R&D**”) and sales businesses are carried out by its various subsidiaries, namely Risecomm Microelectronics (Shenzhen) Co., Ltd. (“**Risecomm WFOE**”), Beijing Risecomm Communication Technology Company Limited (“**Risecomm Beijing Comm**”), Wuxi Risecomm Communication Technology Company Limited (“**Risecomm Wuxi**”) and Changsha Risecomm Communication Technology Company Limited (“**Risecomm Changsha**”). Among which, Risecomm WFOE is honoured as a National HNTE, Shenzhen HNTE and National Integrated Circuit Design Enterprise.

With its advanced R&D strength and ample industry experience, the Group carries out two major businesses through its Power Line Communication (PLC) technology: (i) AMR business (including provision of PLC integrated circuits (“**ICs**”), PLC modules and other AMR products), which has maintained a leading position in market application of State Grid Corporation of China over the years; and (ii) smart energy management business (including streetlight control, building energy management and photovoltaic power management) which has been in widespread use in application, and in particular, ranked high in terms of market share in the market of PLC technology adopted in smart streetlight remote control system, while the application of other smart management solutions was under a steady growth.

Furthermore, the Group has upheld the idea of enhancing living quality through smart control network and dedicated its efforts to the research and popularization of smart control network so as to facilitate interconnection, intercommunication and inter-control among different smart products in different industries and enterprises. Also, the Group has applied Power Line Communication (PLC) technology which seamlessly connects smart control network to the Internet through power line and allows further extension of network, thereby bringing living management to a smarter level.

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## STAKEHOLDERS ENGAGEMENT

In addition to tireless efforts taken in business operation in providing returns for shareholders and protecting investors' interests, Risecomm Group has maintained effective communication with relevant stakeholders through various channels and paid particular attention to their feedbacks, with a view to understanding their expectation and areas of concerns, which allow the Group to make appropriate improvement and implementation so as to further optimise its sustainable development strategy and reinforce the contribution of the Group to the society.

Stakeholders	Engagement Channels	Expectation
Government/ Regulatory authorities	<ul style="list-style-type: none"> <li>— On-site inspection and check</li> <li>— Research through work conferences, work reports preparation and approval submission</li> <li>— Information release on HKExnews and Company's website, such as annual reports, interim reports and announcements</li> </ul>	<ul style="list-style-type: none"> <li>— Compliance with laws and regulations</li> <li>— Making tax payment, conducting operation in accordance with laws, under government supervision and evaluation</li> <li>— Participating in the formulation of industry standards</li> <li>— Promoting economic development and employment</li> </ul>
Shareholders/Investors	<ul style="list-style-type: none"> <li>— Annual general meeting and other shareholder meetings</li> <li>— Information release on HKExnews and Company's website, such as annual reports, interim reports and announcements</li> <li>— Meeting with investors and analysts</li> </ul>	<ul style="list-style-type: none"> <li>— Return on investment</li> <li>— Information disclosure and transparency</li> <li>— Protection of interests and fair treatment of shareholders</li> </ul>
Employees	<ul style="list-style-type: none"> <li>— Meetings</li> <li>— Trainings, seminars and briefing sessions</li> <li>— Cultural and sports activities</li> <li>— Intranet and emails</li> </ul>	<ul style="list-style-type: none"> <li>— Protection of rights and interests of employees</li> <li>— Comfortable working environment</li> <li>— Career development opportunities and self-realization</li> <li>— Occupational health and safety</li> </ul>
Customers	<ul style="list-style-type: none"> <li>— Websites and brochures</li> <li>— Emails and customer service hotlines</li> <li>— Feedback forms</li> <li>— Regular meetings</li> <li>— Industry exhibitions</li> </ul>	<ul style="list-style-type: none"> <li>— Safe and high-quality products</li> <li>— Stable cooperation</li> <li>— Information transparency</li> <li>— Integrity</li> <li>— Business ethics</li> </ul>
Suppliers/ Business partners	<ul style="list-style-type: none"> <li>— Regular meetings, supplier conferences, phone calls and interviews</li> <li>— Review and assessment</li> </ul>	<ul style="list-style-type: none"> <li>— Long-term partnership</li> <li>— Honest cooperation, fairness and openness</li> <li>— Information resources sharing</li> <li>— Quality of supply</li> <li>— Reduction of business risks</li> </ul>
Peer/Industry associations	<ul style="list-style-type: none"> <li>— Industry conferences and meetings</li> <li>— Site visits and field trips</li> </ul>	<ul style="list-style-type: none"> <li>— Experience sharing</li> <li>— Fair competition</li> <li>— Cooperation</li> </ul>
Society/Public	<ul style="list-style-type: none"> <li>— Volunteering activities</li> <li>— Charity and social investment</li> </ul>	<ul style="list-style-type: none"> <li>— Community investment</li> <li>— Social responsibilities</li> <li>— Provision of career opportunities</li> </ul>

# Environmental, Social and Governance Report

Risecomm Group is a fabless research and development oriented technology company specialized in the design, development and sale of proprietary PLC-related system-on-chip (“**SOC**”) integrated circuit (“**IC**”) and software. The Group adopts fabless production model, under which, instead of in-house manufacturing IC chipsets, we source integrated circuit chipsets, as our main raw materials, from IC chipsets suppliers which provide application-specific ICs based on our proprietary design we developed. Unlike general manufacturing enterprises, we assemble our products with the adoption of fabless production model, which greatly reduces the negative impacts on the environment during the course of operation and production.

## ENVIRONMENTAL PROTECTION

The Group has been putting efforts in environmental protection and paying attention to the sustainable construction of environmental infrastructure to improve the efficiency of equipment and facilities. It carries out promotion, education and training for its employees in order to reduce waste generation in the ordinary course of business. Also, the Group has adopted various effective measures and monitoring procedures which require all departments to strictly comply with internal management system in relation to environmental protection, ensure compliance with laws and regulations and fulfilment of responsibilities in environmental protection. Through the following initiatives, the Group has established, and continuously operated and updated, a strong environmental responsibility governance system:

### Emissions

The Group has obtained the ISO14001 environment management system certification, which indicates that our operation and management of R&D, production and sales have achieved internationally recognised standards. The Group has also formulated the Waste Management Policy to establish regulations and guidance on waste disposal and manage and monitor the effectiveness of targeted measures for different kinds of waste. Moreover, we act in accordance with the “Control Procedures for Monitoring and Measurement of Environment, Occupational Health and Safety”, and regularly engage inspection bodies to conduct accurate monitoring of emissions and provide monitoring reports, so as to keep abreast of the Group’s performance in environmental protection and formulate measures for improvement.

During the Reporting Period, the Group did not receive any notice or warning in relation to pollution in respect of its production, nor had the Group been subject to any fines, penalties or other legal actions by government agencies in the PRC resulting from any non-compliance with any environmental protection laws and regulations in the PRC.

### Sewage reduction

The Group does not generate industrial sewage as water is not required in its production process. Sewage generated by the Group is mainly domestic sewage, which will be discharged to municipal sewage system after primary treatment in regional septic tank, and then undergone advanced treatment in regional sewage treatment plant. We have also renovated our water-saving tanks installed in washrooms and carried out other measures to reduce domestic sewage discharge.

In 2017, the Group had engaged Shenzhenshi Zhengyuan Test Company (深圳市政院檢測有限公司) (“**ZYT**”) to conduct tests on domestic sewage in the assembly hubs located in Yantian, Shenzhen and Changsha, Hunan. The test results indicated that it is in compliance with the requirements of relevant national regulatory authorities.

# Environmental, Social and Governance Report

## Greenhouse gas emission

The Group's production activities mainly use electricity to maintain machine operation, general lighting and indoor temperature control etc. As such, the main source of our carbon emission is greenhouse gases ("GHG") generated from electricity consumption. Besides, our products themselves are energy-saving and environmentally-friendly products. We have installed our self-developed air conditioner controllers and energy-saving control switches in all office areas and plants. Such on-site application allows backstage control of the usage of lighting and air-conditioners and thus effectively saves electricity resources. The Group has promoted this series of energy-saving products among its customers and achieved desired energy-saving effect.

The amount of GHG emissions from operation during the Reporting Period is set out below:

Type of GHG emission	GHG emission (Carbon dioxide)	Equivalent emissions (tonne)
Scope 1 Direct emissions		24.50
Scope 2 Indirect emissions		733.21
Total		757.71
Intensity (tonne/revenue (RMB'000))		0.0024

Note:

The calculation of the greenhouse gas emission is based on the "Corporate Accounting and Reporting Standard" from greenhouse gas protocol.

Scope 1: Direct emission from vehicles controlled by the Group

Scope 2: Indirect emissions from the generation of purchased electricity consumed by the Group

## Treatment of harmful exhaust gases

The Group's major air pollutant emissions are welding fumes produced in welding work stations.

Immaterial amount of fumes is produced during welding and will be discharged into high-altitude air after being collected and filtered according to the requirements from the environmental protection authority. Discharging pipes are installed above each welding work station of production lines in the assembly hub in Yantian, Shenzhen. Welding gas will be sucked into the pipes and discharged into high-altitude air after being filtered and purified. There is also testing facility for testing welding gas in the pipes. The Group has established a routine maintenance system. Discharging pipes in the factories are regularly cleaned.

In 2017, the Group had engaged ZYT to conduct tests on exhaust gases in the assembly hubs located in Yantian, Shenzhen and Changsha, Hunan. The testing results indicated that the quantity of exhaust gas generated was insignificant and the discharge of which was qualified and complied with the requirements in the Air Pollution Prevention Law of the PRC (中華人民共和國大氣污染防治法) and were inspected by relevant regulatory authorities.



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Major air pollutant emissions caused by vehicles during the Reporting Period are as follows:

Type of air pollutant	Air pollutant emissions	Emissions (tonne)
Sulphur dioxide		0.0008
Nitrogen oxide		0.0051
Particulate Matter		0.0007
Carbon monoxide		0.0872
Hydrocarbons		0.0080

## Hazardous and non-hazardous wastes

Solid waste (non-hazardous) generated by the Group is mainly lead-free tin slag generated in the production process, a small amount of packaging materials, and office wastes generated during operation. Lead-free wastes can be recycled by professional recyclers and the amount of wastes generated during the Reporting Period was relatively immaterial. While the wastes reach a certain amount for recycling, we will engage professional recycler.

The Group has a strict classification system for different types of wastes. Wastes are separately stored and handled with the ledger for record. Waste bins are set up according to the type of wastes and are placed in appropriate areas. Wastes generated by each department are classified and thrown into designated waste bins according to the Waste Management Policy. Qualified recyclers are engaged for disposal, thereby reducing the impacts on the nature.

Recyclable wastes are recycled while hazardous wastes (e.g. spent fluorescent lights and batteries) are collected in specific site and, when reached a certain amount, will be handed over to outsourced parties with appropriate qualification to dispose.

The Group promotes the use of various softwares in relation to electronic mobile office to reduce the use of paper. In 2017, electronic mobile system such as the R&D projects "Product Life Cycle Management" and "Enterprise Resource Planning" were used for internal approval procedure, which further expanded the paperless network and the coverage of mobile office. In 2017, paperless systems were established for internal communications such as employee learning and development.

Waste generated during the Reporting Period are summarized as below:

Type of wastes	Wastes	(tonne)
Total amount of hazardous wastes		–
Total amount of non-hazardous wastes		3.51
Total		3.51
Density (tonne/revenue (RMB'000))		0.000011

# Environmental, Social and Governance Report

## Use of Resources

### Energy saving

We are aware that every enterprise should work towards the direction of low-carbon operation. Since the 1990s of the last century, Risecomm Group has been committed to environmental protection and invested substantial sums and human resources in environmental protection, striving to provide smart energy saving and emission reduction management solutions for the global market with PLC technology, and application of which includes streetlight control, building energy management and photovoltaic power management. Meanwhile, we have always been devoting our efforts to efficient use of energy in order to strike a balance between corporate development and environmental protection.

### Energy efficiency

We adopt our self-developed building energy management system to centralize the management of our internal air conditioners in a planned manner and remotely control the temperature and switching time of the working environment, which effectively reduce wear and tear and extend the service life of air conditioners. These enhancement projects have allowed us to efficiently reduce exploitation of air conditioning system and energy of entire floors and cut down carbon dioxide emissions of the Group.

### Example of application

Location: Risecomm WFOE

Year: At the beginning of 2017

Program: Risecomm WFOE installed our self-developed air conditioning management system with the use of the existing power line of Shenzhen headquarters as communication media, which allowed the pre-setting of office temperature according to seasonal climate changes. Through energy-saving monitoring and control platform, parameters such as office environmental conditions, utilisation and power consumption can be collected for analysis. Remote Batch management enables air conditioners to operate under a planned mode and temperature, and thus facilitating centralized management of power consumption of air conditioners.

Effect: Compared with 2016, the outcome of energy efficiency was up to satisfaction level.

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The Group makes efforts to save energy, improve energy efficiency and reduce the pressure on the environment caused by the use of energy, and works on energy conservation and emission reduction from three aspects, including management, technology and structure. We also perform energy-saving technological upgrading for certain customers.

The Group's energy consumption during the Reporting Period is set out below:

Energy consumption	
Type of energy	(kWh)
Petrol	99,831.05
Purchased electricity	1,031,762.62
Total	1,131,593.67
Energy consumption density (kWh/revenue (RMB'000))	3.57

## Water efficiency

Internal energy-saving education to our employees is continuously carried out to develop the sense of energy conservation. Once the water pipeline was discovered leakage, incident reporting and repairing is timely. Visual energy-saving slogans for water-saving, energy-saving, paper-saving and other are posted in the office, pantry, toilet and other places to raise environmental awareness of the employees. Compared with the water consumption of the previous year, 10% of water consumed were saved, which was encouraging.

The Group's water consumption during the Reporting Period is set out below:

Water consumption	
Total water consumption (cubic meter)	25,673.62
Water consumption density (cubic meter/revenue (RMB'000))	0.081

## Environmental-friendly packaging materials

The Group will reduce the use of materials under the premise of not impairing the quality of packaging and give priority to recyclable and reusable materials. Also, the Group will increase the turnover rate of use of reusable packaging materials to minimize actual input quantity of packaging materials. For example, the assembly hub in Yantian, Shenzhen adopts reusable plastic materials in production cycle and temporary storage packaging, which has significantly reduced the wastage of approximately 16,000 packaging cartons. Furthermore, in terms of product design, plastics have been replaced by recyclable aluminium alloy for certain products in order to reduce the damages to the environment.

The Group's packaging materials used during the Reporting Period is set out below:

Packaging material consumption	
Type of packaging material	(tonne)
Polyethylene (PE) plastic bags	0.99
Papers	18.98
Pearl Cotton	8.78

# Environmental, Social and Governance Report

## The Environment and Natural Resources

### Assisting customers in energy conservation and emission reduction

The Group pays constant attention to smart energy management in urban energy conservation and emission reduction. Through its self-developed PLC technology and in-depth integration with the new generation of information technology, such as the Internet of Things, big data and cloud computing, the Group provides users with integrated energy management solutions and equipment and develops the Internet of Things for energy, with a view to facilitate energy conservation and emission reduction and provide a safe, comfortable and efficient working environment.

With the development of the economy and the country's emphasis on energy management, many of our customers have started to adopt the Risecomm Building Energy Management System extensively in workshops, dormitories, offices, and indoor work and study space of schools.

Project Example: The staff dormitory of a factory in Henan Province adopts the split-type air-conditioning energy-saving management system provided by our Company. It collects and analyses parameters such as environmental conditions and power consumption in real time. Under the management of the remote system, the temperature of air conditioners is set within the specified range. This not only saves electricity, but also extends the service life of air conditioners. Compared with that before the installation of the system, 20%-30% of energy can be saved every year.

### Creating a green workplace

In 2017, under the co-ordination and guidance of the social responsibility working group of the Company, various energy saving and emission reduction activities were carried out through its encouragement, active advocacy and certain measures with targets. In the sense of emission reduction, "Walking for health" activity was carried out to encourage employee to low carbon travel. The Group provides continual support for green office. In water consumption, water-saving logos are posted in office as a reminder. We promote the use of reusable cups and reduction of bottled water consumption. In paper consumption, we support double-sided printing, waste paper recycling and using recycled papers. In electricity consumption, the Company turns off lights for one and a half hour from 11:30 to 13:00 every day, allowing employees to take a break and saving electricity at the same time. Besides, after 18:00, lights other than office lights will be turned off to save power.

### Environmental-friendly suppliers

We emphasize forging a harmonious relationship between human and nature. Step by step, we exert efforts to protect the surrounding environment, spread the message of environmental conservation and foster environmental awareness. In 2017, under the premise of not affecting the quality of leaflets or printer press, the Group gives priority to environmental-friendly printing materials and recycled papers when printing its leaflets, brochures, greeting cards etc. and cooperates with environmentally-friendly publishers and advertising companies, in order to promote environmental awareness and social responsibility among all suppliers. In terms of supply of production materials, the Group has developed the Procurement Management Procedures and, when screening suppliers, prioritizes environmentally-conscious suppliers who have complied with national environmental standards.

# Environmental, Social and Governance Report

## SOCIAL RESPONSIBILITY

Risecomm Group takes the initiative to fulfil its social responsibility in corporate development, follows the path of sustainable development, insists on humanistic care and environmental protection, performs social responsibility throughout the entire supply chain, and has created an efficient supply chain platform for mutual benefit and better carried forward corporate social responsibility on this basis. Through the following initiatives, the Group has established, continuously operated and updated, a strong environmental responsibility governance system during the year:

### Employment and Labour Practices

#### Employment

Risecomm Group puts the core values of “people-oriented” and “investing in people” into practice and emphasizes to have “mutual commitment” with its employees, incorporating the pursuit of individual employee into long term corporate development. Through sharing the growth with its employees, the Company turns the commitment into a joint undertaking.

#### *Analysis of human resources*

As of December 31, 2017, Risecomm Group and its subsidiaries had total of 410 employees, of which 258 employees were male and 152 employees were female, representing 63% and 37% of the total number of employees respectively. Among all employees, 26 employees held doctorate/postgraduate degree, 184 employees held university degree and 193 employees were below degree level, representing 7.4%, 45.6% and 47% of the total number of employees.

Breakdowns of the employees by gender, age group and employment type as at December 31, 2017 are set out below:

Number of employees	Number of employees	Approximate percentage of the total number
<b>By gender</b>		
Male	258	63
Female	152	37
Total	410	
<b>By age group</b>		
Aged below 30	199	49
Aged 31-40	164	40
Aged 41-50	33	8
Aged above 51	14	3
Total	410	
<b>By employment type</b>		
General	326	80
Middle	68	16
Senior	16	4
Total	410	

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## *Protection of employees' right*

Employees are foundation stones of corporate development. The Group has been actively protecting the basic rights of employees. In terms of employment, the Company has strictly complied with the Labour Law of the PRC (中華人民共和國勞動法), the Law on the Protection of Rights and Interests of Women and Children of the PRC (中華人民共和國婦女兒童權益保護法) and other relevant requirements of the places where our overseas companies operate and developed a human resources management system. The Human Resources Control Procedures have been established in a scientific and reasonable manner and applied in the areas of recruitment, promotion, payscale, benefit, assessment, training, employee relations and communication etc., so as to ensure the fairness of employment conditions, without discrimination in age, gender, place of origin, ethnicity, customs, religion, social hierarchy, physical disability, political affiliation and so on. Child labour and enforced labour are explicitly forbidden.

## *Benefits and rewards*

The Group provides competitive remuneration and benefit for all employees and contributes to various kinds of social insurance in accordance with local policies, such as pension, medical care, work-related injuries, maternity, unemployment insurance and housing provident funds. In order to attract, retain and motivate employees morale, the Company conducts comprehensive assessment of employees according to annual performance appraisal. Employees will enter key performance indicators through the system, and the superior department will evaluate the employees based on the completion time and quality of work as well as contribution to the company. Performance assessment results are divided into 5 levels, and are in one-to-one correspondence with annual performance pay, bonuses, and promotions, thereby mobilizing the enthusiasm of employees.

## *Female promotion opportunities*

The proportion of female employees in Risecomm Group maintained a steady growth and reached approximately 37% of the total number of employees in 2017. The proportion of female managers in middle and senior level management reached 26%.

## *Encouraging work-life balance*

We attach great importance to occupational health of each employees and strictly abide by national policies on holidays and working hours, encourage employees to balance work and life, and ensure that employees enjoy benefits such as sick leave, marriage leave, maternity leave and annual leave. We advocate entrepreneurial spirit, encourage the team to share their successful experience and happiness in office, and have established an "internal trainer" incentive scheme to encourage technological innovation and experience sharing. In addition, we have organized various types of entertainment and leisure activities for employees and established recreation and sports groups such as basketball club, badminton club, table tennis club and reading club, so as to enrich employees' leisure time. Team activities and social activities are regularly organised as well, allowing employees to enjoy their lives in a stressful working atmosphere.



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## *Caring for employees' families*

The Group cares not only about the daily work of employees, but also their families. The Company presents warm gifts and expresses its concern for employees during birthdays, marriages, next of kin deaths, and traditional festivals. Also, Risecomm Group cares about the family members of employees. "Family Day Picnic" and "Family Open Day" have been our signature project of employee care. We have organised "Family Day Picnic" for 11 times since 2006. As the employees wish, the Company may arrange for his/her family members to visit Risecomm working place on a specific day each year and find out more about the nature and scope of work of the employed. Through family days, employees and their family members may gather together in the warm big family of Risecomm, which enhances employees' sense of identity and belonging to the Group.

During the Reporting Period, the Group did not experience any significant labour disputes or disputes with the labour department of the PRC government.

## **Health and Safety**

Through analysis of management on occupational health and safe production of 2016, we further have determined the Group's direction for improving occupational health and safety for 2017 based on the previous successful experience, arranged emergency drills for employees, strengthened the promotion of self-help knowledge, provided external training for employees to learn about first-aid knowledge, and established a social responsibility working group to organize annual safety inspections and pre-holiday safety inspections.

We have built a clear organizational structure of safety production management and established a safety management committee. The Group fully applied the "OHSAS18001 Occupational Health and Safety Management System" and "ISO14001 Environmental Management System". Based on the actual condition of the Group, we have established 29 procedures and management documents in various categories, covering emergency management, fire control management, dangerous goods management, construction management, safety training and safety production inspection, so as to implement safety management in all aspects.

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## *Safety seminars and drills*

We have a designated team in charge of the physical and mental health of employees. In 2017, the Group arranged body check for all employees and organised health seminars, occupational safety training and drills from time to time to enhance employees' awareness of safety responsibility and strengthen workplace safety monitoring.

- In June 2017, the Group commissioned Shenzhen Safety Production Association (深圳市安全生產協會) to conduct special training on occupational health and hazards for our occupational health management personnel through award-winning quizzes, listening tests, live demonstrations and so on. There was high level of participation and the teaching effectiveness was high with an active learning atmosphere.
- In August 2017, the Company invited a senior training instructor to conduct training in respect of self-inspection and prevention of corporate safety hazards. In the random assessment, a pass rate of 100% was achieved. Such training allowed employees to learn about the areas of safety hazards and be aware of daily life safety hazards and preventive measures.
- In October 2017, we invited a fire safety training team to provide professional fire safety training for our employees, so as to enable employees to understand the importance of fire safety and the use of fire-fighting equipment and preventive with the precautionary approach, and enhance their fire safety awareness. On-the-spot assessments were conducted in a random manner and a pass rate of 100% was achieved.
- In November 2017, the Group organised and arranged a fire drill to enhance employees' resilience capability in the event of emergency.





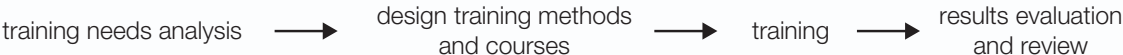
# Environmental, Social and Governance Report

### Female employees' rights

With respect to the protection of female employees' rights, we also comply with the applicable laws and regulations in every country and region to provide our female employees with a maternity leave of at least 128 to 208 days and maternity allowances. In the meantime, we also provide pregnant or breastfeeding female employees with suitable work positions, breaks and pregnancy-friendly facilities. Pregnant employees are entitled to paid maternity leave and lactating mothers are allowed to have 1 hour breast feeding leave per day. These initiatives can allow them to continue to develop their career and professional skills at any time regardless of their physical conditions or family affairs.

### Development and Training

The Group has established the diversified career development channels to help staffs development, expressly stated in the Human Resources Policy, Management Measures for Job Qualification and Performance Evaluation, and Training Policy, and implemented in a continuous improvement model to promote the training implementation:



We firmly believes that, each employee is our most precious asset. In order to give full play to employees' potential and abilities to complete their duties and face challenges in work, the Group has provided training for employees at all levels to help them to achieve self-improvement. In terms of training contents, the Group has designed professional, general and project-based courses for the management and employees. In particular, professional courses involves R&D, sales, production, quality, finance and various other departments and positions. General courses and project-based courses cover a wider range of topics, including occupational health, work ethics, fire safety and occupational hazards. We design different training programs according to different levels of employees, for example, based on management levels, we will design programs from low to high level. Training methods include teacher lectures, conference discussions, technical exchanges, industry forums and documents learning, etc.

As at December 31, 2017, the detailed breakdown of the percentage of employees trained by gender and employee categories are as follows:

By gender	
Male	64%
Female	36%
By employee category	
General	82%
Middle	15%
Senior	3%

# Environmental, Social and Governance Report

During the Reporting Period, the average training hours for employee by gender type are as follows:

By gender	Average Training Hours of Employee
Male	17.16
Female	17.01

## *Training for the management*

According to the requirements of management qualification, based on the own training needs of the management personnel and external requirements, customised courses are developed for different levels of management training after research, which guarantees the quality and effectiveness of management training and helps management personnel at all levels to develop and improve.

## *Training for employees*

The Group provides employees with room for growth and development and has built a comprehensive training system in this regard, with a view to ensure all employees in Risecomm Group maintain their competitiveness and attractiveness in the highly competitive industry. The Company's regular training covers new employee training, general skills training, external training and outreach training.



## **Labour Standards**

Risecomm Group employs staff in accordance with the Labour Law of the PRC (中華人民共和國勞動法), the Labour Contract Law of the PRC (中華人民共和國勞動合同法), the Special Rules on the Labour Protection of Female Employees (女職工勞動保護特別規定) and the Regulations of the Shenzhen Special Economic Zone on the Promotion of the Harmonious Labour Relationship (深圳經濟特區和諧勞動關係促進條例), actively complies with relevant labour laws and regulations, safeguards the labour interests of employees, creates a safe and stable working environment, ensures workplace hygiene and properly takes care of employees' physical and mental health.

# Environmental, Social and Governance Report

## Operating Practices

### Supply Chain Management

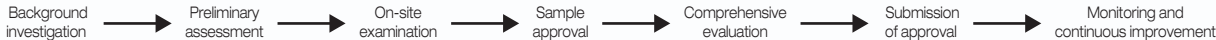
To better perform corporate social responsibilities, the Company has established a supply chain management system which is managed by the supply chain management team of the Group in a centralized manner. Suppliers are selected and evaluated on the basis of fairness, impartiality, objectivity and information transparency. All existing and potential suppliers will be informed of the requirements of Risecomm Group on the social responsibility of suppliers, so as to promote suppliers' greater commitment to social responsibilities and environmental awareness. The Company has developed the Supplier Management Procedures which provides detailed standards and requirements in terms of corporate social responsibility, quality management, environment management, occupational safety, intellectual property, materials management, quality control and other aspects. All suppliers are required to perform their social responsibilities.

The following table shows the distribution of the Group's suppliers during the Reporting Period:

Distribution area	Number of supplier
The PRC	264
Overseas	3

The above information was collected from Risecomm WFOE, product assembly hubs in Yantian, Shenzhen and Changsha, Hunan. All suppliers for production and materials are managed by Risecomm WFOE in a centralized manner.

### Supplier management process:



### Selection and assessment

Risecomm Group emphasizes social responsibility during the resources collection, evaluation, selection and development process of suppliers under the premise of guaranteeing the quality and cost-performance, and prefers high-quality potential suppliers which comply with national requirements on environmental protection and social responsibility. The process guarantees equal opportunities for suppliers as well as fair and impartial evaluation and selection.

Supplier assessment is conducted by a team. A list specifying the scope of assessment is provided by category. In order to be qualified, a supplier must meet the requirements of the Company in respect of product quality, safety, environmental protection, management responsibility, social obligations and risk management. Our assessment team will assess and ascertain the qualification of supplier in an objective and fair manner and in strict compliance with the requirements of the process.

# Environmental, Social and Governance Report

Based on the principle of “quality first, mutual benefits, joint development”, Risecomm Group has built a solid foundation for win-win cooperation with its suppliers. The Group has the right to request for continuous quality improvement and the suppliers has the obligation to continuously improve the quality of their products.

## *Monitoring of improvement*

The Corporate Resources Planning, the Supplier Management Procedures and supplier database system allow the Group to operate supplier management categorised by different supplies or different classifications of service qualification. The database system records suppliers' comprehensive information on business registration, on-time delivery, quality level, price management and performance evaluation score, etc. Risecomm Group has adopted supplier resource sharing strategies to conduct joint tendering and centralized procurement for projects at different places, which enhances the quality of products and reduces the cost of procurement in a dramatic way.

Suppliers are required to establish comprehensive quality and environment management system including ISO9001, ISO14001 and OHSAS18001. Our supplier quality assurance team will conduct regular review and evaluation on the level of attainment in respect of their implementation and management. Suppliers failed to meet our requirements will be required to make improvement and receive counselling for the establishment of comprehensive management system.

## *Sunshine procurement*

In respect of supply chain management and procurement, Risecomm Group has adhered to the philosophy of “sunshine procurement”, it has also been committed to its environment management and social responsibilities, so as to ensure that the corporate social responsibilities are fulfilled throughout the process of supply chain management and procurement and such process is “fair, open and equitable”. Management personnel of suppliers are required to exercise strict self-discipline and supervise their subordinates to create an ethical business environment within their companies with self-awareness to protect and ensure that their team members who work with us are aware of and abide by the requirements of sunshine procurement. Any form of bribery shall be prohibited. Any improper business practices or unethical behaviour shall be disclosed to the Group proactively.

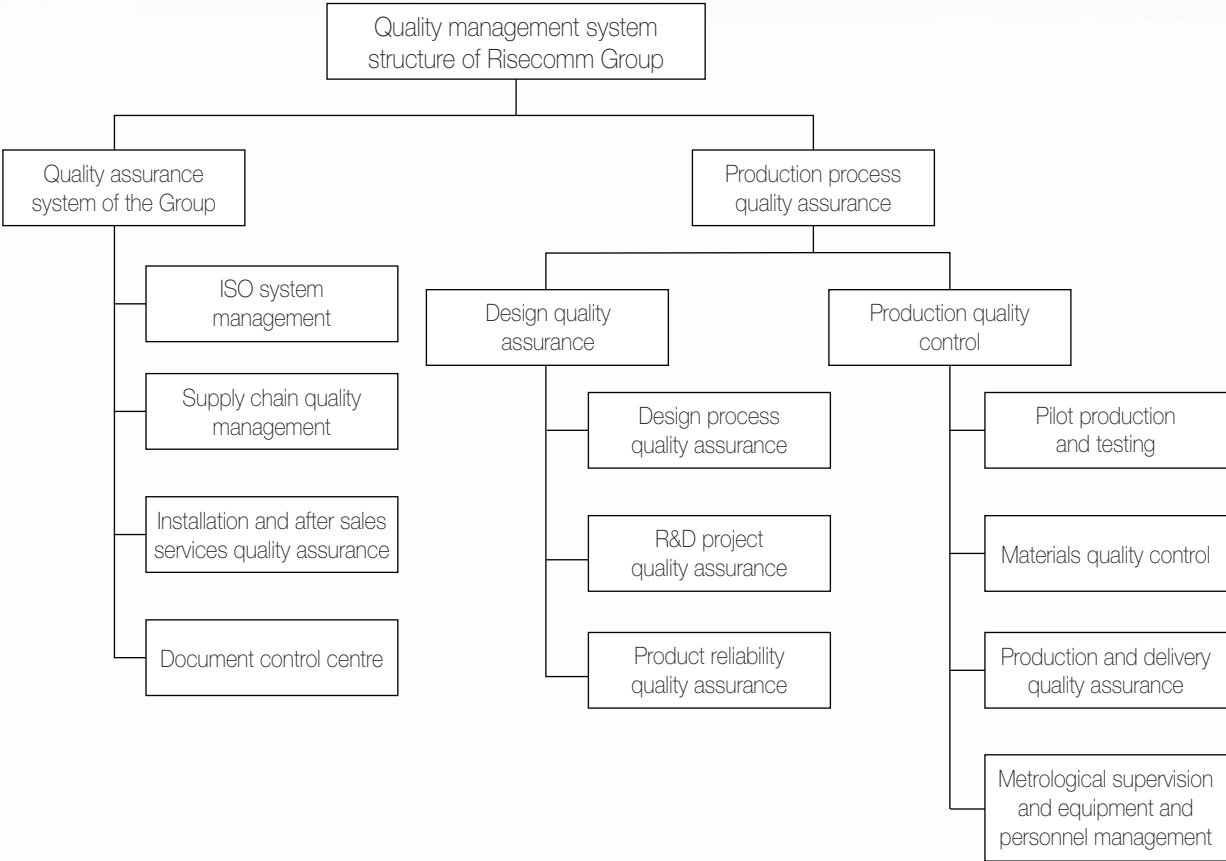
# Environmental, Social and Governance Report

## Product Responsibility

### Quality assurance

"Quality is the life of Risecomm and the dignity of every employee". In order to provide customers with satisfactory products and services constantly, we have been devoting our efforts to establish and improve our quality management system. We place importance on the reliability of product design, failure analysis and comprehensive reliability verification. All products undergo strict system testing before they are finalized. R&D, pilot production, mass production, pre-sale technical support and after-sales service are all carried out by specialized quality control personnel.

### Structure of Quality System



The Group has obtained the ISO9001 quality management system certificate. We also have a specialized quality control team responsible for carrying out quality control procedures based on the ISO9001 standard. As of December 31, 2017, the quality control team consisted of 10 employees and they have an average of 11 years of relevant industry experience.

# Environmental, Social and Governance Report

Risecomm Group carries out quality control measures at various stages of the procurement and product manufacturing process. All suppliers must undergo different inspections before we approve their use, including on-site examinations and assessments, as well as sample tests, to ensure that the raw materials purchased by the Group and services outsourced by the Group will meet our quality standards and customer's product requirements.

The Group has entered into quality assurance agreements with most of its suppliers, which set out the specific quality standards that suppliers must comply with and quality inspection pass rates. We conduct internal checks on the raw materials received from our suppliers and deliver for production use after that. In particular, all the raw materials needed for outsourced production are purchased by us and passed our internal quality inspection before delivered to the outsourced manufacturers to ensure the quality of the raw materials of the products.

The Group also regularly sends quality control personnel to outsourced manufacturers to perform standard quality control procedures and closely monitor outsourced production processes. For integrated circuit chipsets, when we receive integrated circuit chipsets from integrated circuit chipset suppliers, we will conduct a series of internal inspections. For example, our warehousing and procurement personnel will first check the quantity and model of the integrated circuit chipsets, and our quality control team will check the vacuum packaging, function and quality of the integrated circuit chipsets as well as related quality control reports provided by suppliers. Any inferior products identified during the acceptance process will be returned to the supplier.

Our integrated circuit chipset inventory will be managed in accordance with the "first-in-first-out" policy. We will conduct quality reviews on integrated circuit chipsets aged over six months to ensure that the chipsets are qualified for production use. We also operate internal testing and quality control systems to ensure consistent quality of finished products and application of proprietary technologies. These procedures mainly include functional and product safety tests, as well as packaging inspections.

## *Green product*

Provision of energy-efficient green products and solutions to reduce carbon emission is the main objective of product development of Risecomm Group. Our smart energy control products have been in compliance with the energy-efficient requirements throughout the development, production and delivery process. Through advanced technology, optimised design of standby consumption of products and streamlined product packaging, we have been improving the management of our energy-saving control system and enhancing management efficiency, and facilitating operation.

## *Customer service*

In line with the principle of "provide customers with the most satisfactory products and services", in addition to the progressiveness, reliability and stability of our products, the Group seeks continuous improvement of service quality and ensures the provision of the best service to satisfy customers in respect of pre-sale and after-sale delivery, commissioning, equipment maintenance, technical service, user training and so on.

# Environmental, Social and Governance Report

### Customer satisfaction

In order to find out whether the Group understands and continuously meets the current and future needs and expectations of our customers, it is essential for us to meet the needs of the market by the quality of products and services. Our sales department plans survey of measurement annually and collects useful data through the following channels, after which the quality department will conduct analysis on the survey results and take improvement measures to facilitate continuous enhancement of product quality and service quality.

Risecomm Group's customer satisfaction survey in 2017 was assisted by marketing department to obtain relating comments and suggestions, and accounted by quality department according to the index calculating method. The results are as follows:

Analysis report on customer satisfaction survey in 2007	
Product quality	90.4%
Remote control	92.1%
System operation	89.2%
Software compatibility	87.5%
After-sales service	90.0%
Product price	78.8%
On-time delivery	90.0%
Complaint follow-up	89.2%
General service	92.1%

In view of the above, the Group achieved its expected target in terms of customer satisfaction, but continuous efforts are needed for on-going improvement and uplift customer satisfaction level.

# Environmental, Social and Governance Report

## *Intellectual property rights*

In order to protect intellectual properties of the Group, the Management Measures for Intellectual Property had been formulated to regulate the requirements of protection and supervision, according to the Patent Law of the PRC (中華人民共和國專利法), the Detailed Rules for the Implementation of the Patent Law of the PRC (中華人民共和國專利法實施細則) and the Provisions of Patent of Guangdong Province (廣東省專利條例), etc. Also, we have established an intellectual property rights management system in accordance with the national requirements under GB/T 29490-2013 Enterprise Intellectual Property Management Practice (企業智慧財產權管理規範), so as to protect the intellectual property rights of the Group.

As at December 31, 2017, the Group had successfully developed a significant intellectual property portfolio, comprising 35 patents, 66 computer software copyrights, 7 registered software products and 7 IC layout designs registered, with 21 patents pending registration in the relevant jurisdictions, signifying the Group's achievements in research and development in PLC technology.

## *Privacy protection*

Furthermore, the Group values great importance to the privacy protection of customers, employees and suppliers, and is committed to maintaining and safeguarding its relevant information, including brand-related intellectual property and confidential information and any form of confidential information of potential property or economic value. At the same time, cooperating suppliers are required to sign relating provisions to protect confidential information and prevent the relevant information from unauthorized use through appropriate technical means and processes. Any information leakage of the supplier or staff will be strictly investigated and processed in accordance with the signed effective provisions or internal regulations.

## **Anti-Corruption**

### *Employee management*

The management and employees are required to follow the principle of "being a man of integrity and working with integrity" and comply with the Code of Conduct for Employees, the Management Rules of Motivation and Discipline, the Management Rules of Anti-corruption and Reporting and Complaint and national laws and regulations. In the event that an employee's interest is found to be infringed as a result of internal frauds, unethical business practice, violation of laws and regulations or professional misconduct, complaints and reports may be made directly to the supervisor or relevant department.



# Environmental, Social and Governance Report

In order to further prevent fraudulent practices, enhance the governance and internal control and protect the legitimate interests of the Group, the Group has also created an email address specialized for reporting, through which Employees may directly report illegal or non-compliant behaviour in work or operation to the top management. Investigation will be taken to the extent permitted by laws.

Subsidiaries are required to strictly implement the Accounting Standards for Business Enterprises and strengthen random financial audit to prevent financial risks. Also, we have made clear our anti-corruption management requirements, expanded internal and external reporting channels and established a smooth and efficient management system to support employees to report directly on any suspected violation of integrity regulations. Telephone number and email address for reporting are available on our portal website. The identity of informers will be protected.

## *Supply management*

The Group requires its suppliers to include anti-bribery provisions in contracts so as to guarantee that their personnel (company employees, agents, negotiators or other designated personnel) will not make any direct or indirect bribery or other improper payments to the Group's employees and not engage in activities which are in contravention in business ethics or prohibited by the Anti-unfair Competition Law (反不正當競爭法) and other laws and regulations. If suppliers is found to violate any law or commitment in the contract, Risecomm Group has the right to terminate any transaction with the suppliers involved.

The Group authorizes the human resources department to set up telephone hotlines and email address for reporting for external parties (including suppliers and customers) and monitors violation of laws or regulations which involves individual unlawful profits and harm the Group's reputable and economic benefits.

During the Reporting Period, the Group was not aware of any case related to corruption and bribery. There is no concluded legal cases regarding corrupt practices brought against the Group or its employees and the outcomes of the cases.

## **Community**

### **Community Investment**

Since its establishment, the Group has been actively devoted to social welfare. We have invested resources in various fields to providing funding and resource support for the disadvantaged, the disabled and other groups. It is hoped that Risecomm Group will bring positive influence to more people in the community. As of the end of 2017, the Group has carried out a series of activities, focusing on themes such as "Love and Care" and "Thanks for you, tomorrow for us", and achieved the desired result. Through practical actions, the needs of certain disadvantaged groups were satisfied. The Group has fulfilled its social responsibility through continuous social investment and established a good corporate image. At the same time, we can better integrate with society, deliver care and concern, and actively give back to the community.

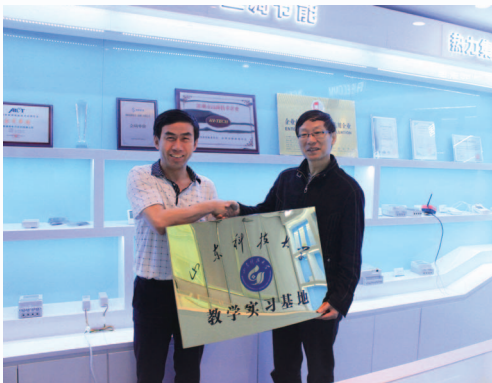
# Environmental, Social and Governance Report

In order to promote healthy lifestyles and social welfare, regular scheduled badminton and basketball activities as well as “Thanks for you, tomorrow for us” travel activities organised by departments can enrich the cultural life of employees and improve their physical conditions. We also organised and participated in table tennis competitions, “Love and Care” blood donation, visited Starlight Rehabilitation Centre in Nanshan District, Shenzhen. These have motivated more enthusiastic employees to care for the community and give play to the spirit of mutual help and support.

## *Creating employment opportunities*

In job creation, a total of nearly 121 direct employment opportunities were offered in 2017 and a number of families were benefited. At the same time, based on the estimation of procurement amount, the Group indirectly created significant amount of job opportunities for our 267 suppliers.

## *University Internship Program*



In addition, Risecomm Group emphasizes the importance of cooperating with universities, not only being committed to the market-oriented conversion from research to production, but also offering internships and employment opportunities for university students. With an open, tolerance, mutual benefit and win-win attitude, the Group accepted the undergraduates for internship in finance, R&D, technical support for various departments in the Group. In 2017, 30 interns were arranged for the short-term internships while 20 of them were employed as full time employee afterwards.

## *Enhancing exchanges among enterprises within the HNT park area*



The Group firmly bears in mind its corporate social responsibilities and actively fosters the relationship with surrounding community of the place where it operates, and takes part in enhancing exchanges among enterprises within the high and new technology (“HNT”) park area. In 2017, workers actively participated in the regular badminton and basketball activity organised by Risecomm Group every week in Nanshan Cultural and Sports Centre, Shenzhen. It strengthened our interaction with the research enterprises in the park and enriched the leisure life of our employees. In October 2017, our employees participated in the table tennis competition organized by the property management office where the entity was located.

# Environmental, Social and Governance Report



## *Blood donation activity*

Risecomm Group organized a blood donation activity at the Nanshan station of Shenzhen Blood Centre in November 2017. Our employees actively signed up for blood donation. In just 4 hours, more than 10 employees participated, totalling 5,000 ml of blood donated and 400 ml of blood per capita. Our employees practiced social responsibilities with sincerity and passion. They dedicated themselves to the community, benefiting more patients in need, and made every effort to give back to society.



## *Caring for the disadvantaged*

In December 2017, Risecomm Group organized a charity activity for the Starlight Rehabilitation Centre in Nanshan District, Shenzhen and donated a number of school supplies to children suffering from autism, hyperactivity disorder, growth retardation and learning disabilities as gifts of love.



## *Marathon*

This year we encouraged employees and their families to participate in the “Shenzhen International Marathon”. In December 2017, a number of employees of Risecomm Group and their family members participated in the marathon. The marathon promoted the sportsmanship of challenging oneself, exceeding limits, persevering and never giving up. The employees and family members participated in the race made it to the end and enjoyed the original intention of the race. Therefore, it's not about winning or losing. They won over themselves! Everyone is the champion. Marathon is sport of testing the ability of endurance and execution. Being a member of Risecomm, their enthusiasm for marathon was probably the result of the imperceptible influence of Risecomm's spirit of “integrity, innovation, tenacity, sharing”.