



亨通光电
HENG TONG OPTIC-ELECTRIC

2023

Environmental, Social and Governance Report

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About This Report

Overview

This report is the second Environmental, Social, and Governance Report (hereinafter referred to as "this report") published by Jiangsu Hengtong Optic-Electric Co., Ltd. (hereinafter referred to as "Hengtong Optic-Electric," "the company," "we"). Jiangsu Hengtong Optic-Electric Co., Ltd. is a listed subsidiary of Hengtong Group Co., Ltd. (hereinafter referred to as "Hengtong Group," "the Group"). This report truthfully discloses our practices in fulfilling our responsibilities towards key stakeholders, including shareholders, customers, partners, employees, the environment, and communities, as well as its performance in environmental, social, and corporate governance (hereinafter referred to as "ESG").

Reporting Period

This report covers the fiscal year from January 1, 2023, to December 31, 2023 (hereinafter referred to as "the reporting period"). Some content appropriately extends to previous or subsequent years.

Preparation Basis

The preparation of this report primarily follows the standards of the Global Reporting Initiative (GRI) and also responds to issues raised in the Morgan Stanley Capital International (MSCI) ESG Ratings.

The content of this report has been determined through a set of procedures, including identifying and prioritizing key stakeholders and important ESG-related issues, defining the boundaries of the ESG report, collecting relevant materials and data, compiling the report based on the collected information, and reviewing the content within the report.

Scope and Boundaries

The policies and data provided in this report cover the headquarters and subsidiaries of Hengtong Optic-Electric, and the scope of the report is consistent with the annual report. Unless otherwise specified, the currency mentioned in the report is in RMB.

Data Source and Reliability Assurance

The data and cases in this report are mainly sourced from our statistical reports and related documents, and have been reviewed by relevant departments. Our Board of Directors guarantees that there are no false records or misleading statements in this report, and takes responsibility for the authenticity, accuracy, and completeness of its content.

Confirmation and Approval

This report was confirmed by the management and approved by the Board of Directors on August 27, 2024.

Language and Format

This report is available in both Chinese and English, with the electronic version available for viewing. In case of any discrepancies between the Chinese and English versions, the Chinese version shall prevail. Please visit the Hengtong Optic-Electric's website at <http://www.htgd.com.cn/> for more information.

We highly value the opinions of our stakeholders and welcome readers to contact us through the following channels. Your feedback will help us further improve this report and enhance our overall sustainable development performance.

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Message from the Executive



Cui Wei

Chairman
Hengtong Optic-Electric



In 2023, we faced unprecedented challenges and transformations, marking a century of great change while also nurturing new momentum and opportunities. This year also coincides with the 20th anniversary of Hengtong Optic-Electric's listing. Over the past 20 years, Hengtong Optic-Electric has continuously placed sustainable development at the core of its long-term strategy, consistently deepening its commitment to this philosophy in line with the evolving times, and leading the company's high-quality development. Looking back, Hengtong Optic-Electric has weathered the complexities of the market and grown from an initial revenue of RMB 560 million in 2003 to RMB 47.62 billion in 2023, achieving steady growth across cycles.



Optimizing Governance Structure to Strengthen the Foundation for Sustainable Development



Hengtong Optic-Electric has focused on five key areas: low-carbon transformation, sustainable development ecosystems, technological research and innovation, cultural and vision-building, and risk management. To support this, we established an ESG Committee and released our first ESG report. By continuously improving our corporate governance and environmental management systems, we have further advanced our green development strategy, strengthening the foundation for Hengtong's sustainable growth.

As the world enters the era of Industry 4.0, characterized by the deep integration of digitalization, networking, intelligence, and industrial transformation, Hengtong Optic-Electric is seizing the opportunity presented by the new wave of industrialization. We have accelerated our efforts in digital transformation, leveraging digital management to drive high-quality development. In this context, we built the world's first "Lighthouse Factory" in the global optical communication industry, a symbol of excellence in intelligent manufacturing and digitalization. This has significantly reduced production costs and improved product quality.

Commitment to Green and Low-Carbon Development to Strengthen Our Competitiveness



In response to global climate challenges, Hengtong Optic-Electric has actively aligned with China's national goals of "carbon peaking" and "carbon neutrality," focusing on energy transition and striving to become a global provider of information and energy interconnection solutions.

We are committed to green and low-carbon development, actively exploring opportunities in clean technology. Through our self-developed dual-cross industrial internet platform, we have created a green energy management system and a big data centralized control center, enabling digital and intelligent carbon emission management throughout the production process. We are advancing green technology upgrades and green facility construction to help factories achieve "near-zero carbon" goals. To date, we have established five national-level green factories, three national-level green supply chain enterprises, seven national-level green products, and three industrial product green design demonstration enterprises. Our subsidiary, Hengtong Submarine Power Cable Co., Ltd., has been awarded the "Five-Star Certification for Carbon Peak and Carbon Neutrality Management." Hengtong Optic-Electric is strategically positioned in low-carbon and green industries, with a comprehensive presence in fields such as marine energy, offshore wind power equipment, and ultra-high-voltage power transmission. We provide systematic services for integrated clean energy projects, building a complete, green, and efficient industrial ecosystem.

Fulfilling Corporate Responsibilities and Creating Greater Social Value



Hengtong Optic-Electric views its employees as the company's most valuable asset and considers talent development as its top priority. We are committed to providing good employment opportunities for people with disabilities, protecting the rights of female employees, and creating a transparent, fair, and just working environment. We continue to improve our talent development and promotion systems, encouraging all Hengtong employees to work together with the company towards high-quality growth.

At the same time, we uphold the belief that "corporate social responsibility is the foremost responsibility." We actively participate in social welfare initiatives, enhancing Hengtong's social influence and contributing to the sustainable development of both the industry and society.

Looking ahead, Hengtong Optic-Electric remains steadfast in its commitment to sustainable development, transforming ESG principles into an intrinsic driver of corporate growth and competitive advantage, while creating more value for our stakeholders. Finally, on behalf of the Board of Directors, I would like to express my heartfelt thanks to every Hengtong employee for their hard work. I would also like to thank our customers, investors, partners, regulatory bodies, and all sectors of society for their trust, support, and guidance. Let us continue to move forward together and create a better future.

About Hengtong

Company Overview

Hengtong Optic-Electric provides industry-leading products and solutions in optical communications, smart grids, offshore wind power, marine communications, and smart cities. With comprehensive capabilities in design, research and development, manufacturing, sales, and service, Hengtong is committed to becoming a global leader in information and energy interconnection solutions through its global industrial and marketing network.

Corporate Culture

Hengtong integrates traditional Chinese culture, local culture, contemporary characteristics, industry features, and unique company attributes into its corporate culture. This creates the "Hengtong Culture System" characterized by "The greatest virtue has the characteristics like water-it nurtures the world without taking or contending. Water is always aware of rationale of change, properly altering and keeping pace with times," which serves as the eternal source of Hengtong's vitality.

Business layout

Hengtong has a nationwide industrial presence with three high-tech industrial parks in Suzhou (Hengtong Optic Comm. Tech-Park, Hengtong International Marine Industrial Park, and Hengtong Optic-Electric Wire And Cable Industrial Park). Our products and services support major communication and energy internet system integration projects globally.

In the context of economic globalization, Hengtong continuously improves its global marketing network and industrial layout in communication networks and energy interconnection. In recent years, Hengtong has expanded its industries to Europe, South America, South Asia, Africa, Southeast Asia, covering all five continents. Hengtong's overseas industrial layout is continually improving, with a total of 12 overseas industrial bases, enhancing its global operations, market competitiveness, and brand value.

Products and Technologies

In the field of communication networks, we successfully launched the 800G QSFP-DD 2×FR4 optical transceiver and achieved small-scale applications of 400G optical transceiver products in both domestic and international markets. Our "Next-Generation Silica Optical Fiber Preform Key Technologies and Industrialization" project won the second prize in the Science and Technology Progress Awards from the Chinese Optical Engineering Society. The "Multi-Core Low-Mode Fiber High-Capacity Optical Interconnect Core Components and System R&D" project was approved as a key research and development plan for 2022 by Jiangsu Province.

In marine communications, our ultra-long-distance, high-capacity deep-sea submarine optical cable system key technologies and industrialization project won the first prize in the Science and Technology Innovation Awards at the Second World Photonics Conference (AOPC 2021) and the Seventh Chinese Optical Engineering Society Awards. We introduced the world's first 32-fiber pair submarine communication repeater prototype and 32-fiber pair repeater submarine cable, advancing the industry into the Petabit-level ultra-large capacity system transmission era. Additionally, we released the world's first 18kV power supply scheme for submarine repeater cables, leading the SDM technology revolution in the marine communication industry.

In marine observation, led by CNOOC Research Institute, we developed China's first "Fiber Optic Communication-Based Underwater Data Transmission System (SRM)," which completed DNV GL verification and Ministry of Industry and Information Technology acceptance, and has been delivered for use. Our "Fiber Optic Communication-Based Marine Oil and Gas Underwater Equipment R&D and Engineering Application" won the First Prize in Shanghai Marine Science and Technology, marking the beginning of the domestication process for marine oil and gas SRM underwater routing equipment.

In the energy interconnection field, our self-developed fourth-generation ultra-flexible mineral-insulated fire-resistant cables meet international advanced levels; the 500kV cross-linked polyethylene-insulated submarine cables achieve international leading standards, and the key technologies and engineering applications of the 500kV cross-linked polyethylene-insulated submarine cables won the First Prize in the Science and Technology Progress Awards from the China Electric Power Research Institute.

Industry Honors

Hengtong was awarded the "Optical Fiber Intelligent Manufacturing Demonstration Factory" by the Ministry of Industry and Information Technology, being the first in the industry to receive this award. We have also received the China Patent Excellence Award from the National Intellectual Property Administration and titles such as "National Service-Oriented Manufacturing Demonstration Enterprise" and "Industrial Product Green Design Demonstration Enterprise" from the Ministry of Industry and Information Technology, as well as "Jiangsu Province 5G Fully Connected Factory" from the Jiangsu Provincial Department of Industry and Information Technology.

Hengtong ranks among the top three globally in the "Top 10 Most Competitive Cable Companies 2023," "Top 10 Most Competitive Submarine Cable Companies 2023," and "Top 10 Most Competitive Optical Fiber and Cable Companies 2023" lists. We also topped the "Top 10 Most Competitive Cable Companies in China 2023" list for nine consecutive years. During the reporting period, we were ranked among the top three in the "Top 10 Most Comprehensive Competitive Optical Fiber and Cable Companies in China 2023" and won the Best Customer Service Gold Award in the Chinese Optical Communication Market in 2023. Additionally, we were recognized as an Excellent Supplier in China Mobile's 2022 Level One Procurement and an Excellent Supplier for China Telecom in 2022. We also ranked seventh in the "Top 100 Chinese Communication Equipment Technology Service Suppliers" in the seventeenth communication industry rankings.

ESG Major Events and Honors

On January 7, 2023

Hengtong Group announced its ESG dual-carbon goals



On March 18, 2023

Hengtong Optic-Electric established the "Environment, Social, and Governance (ESG) Committee" and released the "Board of Directors ESG Committee Rules of Procedure."

On June 5, 2023

Hengtong Optic-Electric globally released its 2022 ESG report



On June 11, 2023

Hengtong participated in the inaugural Shanghai International Carbon Expo and shared insights in a roundtable forum



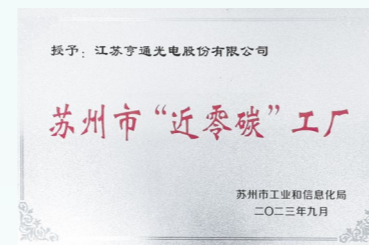
On October 26, 2023

Hengtong Group was recognized as a demonstration unit for the EATNS carbon management system standards



In September 2023

Hengtong Optic-Electric was approved as a "Near-Zero Carbon" factory in Suzhou



August 17, 2023

Hengtong was nominated for the "Green Dot China · Green Pearl Award" in the "Green Dot China · Sustainable Practice Case Selection"

In July 2023

Hengtong Submarine Power Cable, a subsidiary of Hengtong Optic-Electric, received a 5-star rating for its enterprise-level carbon peaking and carbon neutrality management



On November 7, 2023

Hengtong Submarine Power Cable participated in the China International Import Expo (CIIE) and announced its membership in the Science Based Targets initiative (SBTi)



On November 24, 2023

At the EY (Ernst & Young) Second Listed Companies Sustainable Development Officer Summit, Hengtong won the "Outstanding Case Award."



In December 2023

Hengtong Alpha Optic-Electric, a subsidiary of Hengtong Optic-Electric, was included in the World Economic Forum's (WEF) Global Lighthouse Network as one of the 11th batch of "Lighthouse Factories."



In December 2023

Hengtong's Spanish subsidiary, Cablescom, received the EcoVadis Gold Award for sustainability

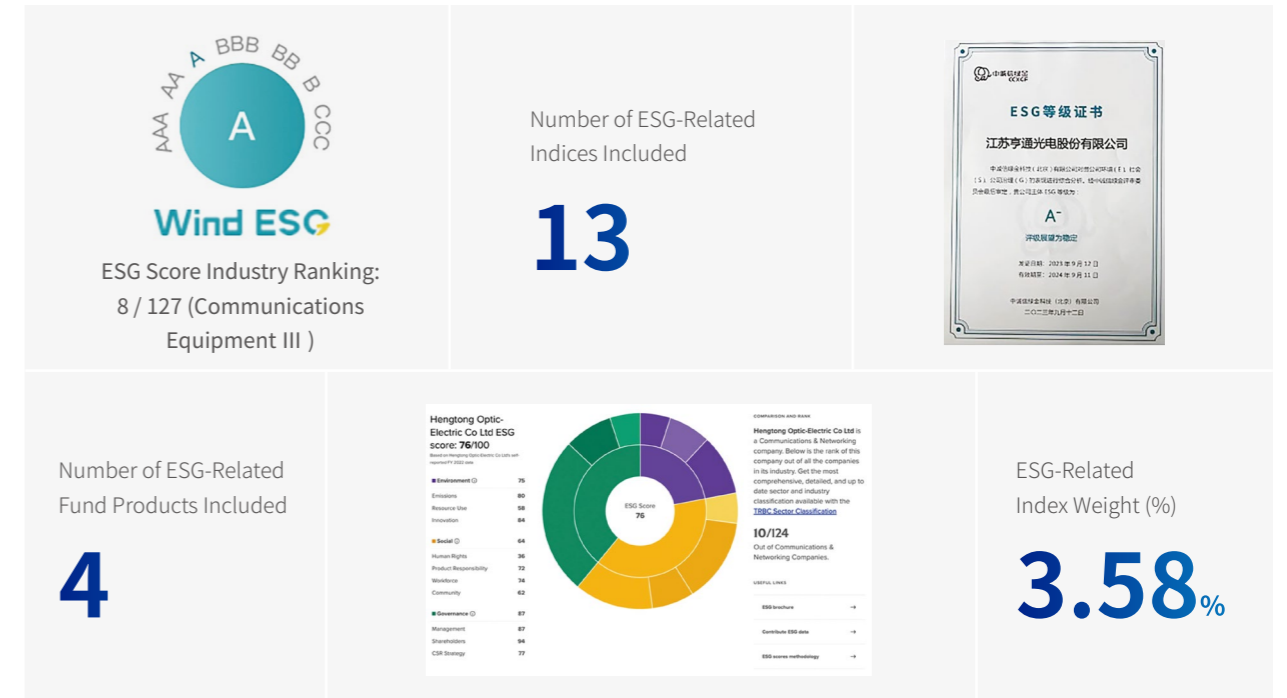


ESG Sustainable Value Management Achievements

Project	2022	2023	Year-on-year Change
Green Manufacturing			
National Green Factories	4	5	+1
National green products	7	7	/
National Green Supply Chain Enterprises	3	3	/
Jiangsu Green Factories	6	7	+1
Industrial Product Green Design Demonstration Enterprises	2	3	+1
Lighthouse Factories	0	1	+1
Near-zero carbon factories	0	1	+1
ISO 150001 Energy Management Systems	4	6	+2
ISO 14064 Organizational Carbon Emission Systems	4	7	+3
ISO 14067 Product Carbon Footprints	12	28	+16
Membership in Science-Based Targets Initiative (SBTi)	0	2	+2
R&D Innovation			
National Enterprise Technology Centers	1	1	/
National Postdoctoral Research Workstations	1	1	/
National CNAS Accredited & Provincial Key Laboratories	7	8	+1
Provincial Postdoctoral Innovation and Practice Base	3	4	+1
Provincial Engineering Technology Research Centers/ Enterprise Technology Centers/Industrial Design Centers	40	41	+1
Academician Workstations	3	3	/
High-quality development			
High-Tech Enterprises	25	25	/
National-Level Specialized and New "Little Giant" Enterprises	3	8	+5
Provincial-Level Specialized and New "Little Giant" Enterprises	7	7	+4 (An additional 4 were added, while the original 4 were upgraded to the national level.)
National Manufacturing Champion Enterprises	2	3	+1

Rating agencies	2022	2023	Year-on-year Change
Refinitiv	33	76	+43
China Credit	BB	A-	+4 levels
Wind	BB	A	+2 levels
Huazheng	BB	BBB	+1 level
Business Greening	B	A-	+2 Levels

*Data as of December 31, 2023



ESG Sustainable Value Management Performance

Projects	2022	2023	Year-on-year Change
Self-built Photovoltaic Capacity	0.4 MW	10.5 MW	+10.1 MW
Purchased Green Electricity	250,435 MWh	227,100 MWh	-23,335 MWh
Total Greenhouse Gas Emissions	339,189.14 tons of CO ₂ equivalent	385,822.96 tons of CO ₂ equivalent	+13.75%
Greenhouse Gas Emission Intensity	730.00 tons of CO ₂ equivalent/100 million RMB	810.18 tons of CO ₂ equivalent/100 million RMB	+10.98%
R&D Investment	1.967 billion RMB	2.101 billion RMB	+ 6.79%
Total International and Domestic Standards	364	426	+62
Total Authorized Invention patents	1,010	1,198	+188
Total PCT International Patents	197	135	-62
Operating Revenue	46.464 billion RMB	47.622 billion RMB	+2.49%
Operating Profit	1.674 billion RMB	2.311 billion RMB	+38.00%

01

Compliance and Stability:

The Foundation for Steady Growth

- Corporate Governance
- ESG Governance
- Stakeholders Engagement
- Risk Management
- Adhere to Business Ethics



Corporate Governance

Hengtong strictly adheres to laws and regulations such as the *Company Law*, *Securities Law*, *Corporate Governance Guidelines for Listed Companies*, and the *Stock Listing Rules of the Shanghai Stock Exchange*. Additionally, it complies with the latest governance requirements from the China Securities Regulatory Commission (CSRC) and the Shanghai Stock Exchange. Based on Hengtong's actual situation, it continuously improves the corporate governance structure, enhances the internal control system, and ensures regulatory compliance in operations. Hengtong's governance complies with the *Company Law* and the relevant regulations of the CSRC. Specific governance aspects include:

The roles and responsibilities between Hengtong's shareholders' meeting, board of directors, board of supervisors, and management are clearly defined, with each party performing its duties, exercising checks and balances, and coordinating effectively. Hengtong complies with regulatory requirements in key areas of governance, including relationships between shareholders and the shareholders' meeting, between controlling shareholders and the listed company, between directors and the board of directors, between supervisors and the board of supervisors, as well as in performance evaluation, incentive mechanisms, stakeholder engagement, information disclosure, and transparency. Independence is maintained in areas such as operations, personnel, assets, institutions, finances, etc.

1 Hengtong convenes and holds shareholders' meetings in strict accordance with the requirements and procedures of the *Company Law*, *Articles of Association*, *Rules of Procedure for Shareholders' Meetings*, and other relevant laws and regulations. Lawyers are appointed to witness the meetings in person and provide legal opinions to fully protect shareholders' rights

2 In compliance with the *Company Law*, *Articles of Association*, and relevant regulations of the China Securities Regulatory Commission (CSRC) and the Shanghai Stock Exchange, Hengtong appoints members to the eighth and ninth boards of directors. The board is composed of 12 directors, including 4 independent directors, meeting the legal and regulatory requirements for size and composition. The eighth board of directors has established a Strategy and Development Committee, an Audit Committee, a Nomination Committee, a Remuneration and Appraisal Committee, and an Environment, Social, and Governance (ESG) Committee, all of which operate in accordance with the *Articles of Association* and the Working Rules of the committee. Directors perform their duties as required, attend board and shareholders' meetings, review board proposals, and offer opinions and suggestions on major decisions. Hengtong discloses information promptly based on board decisions

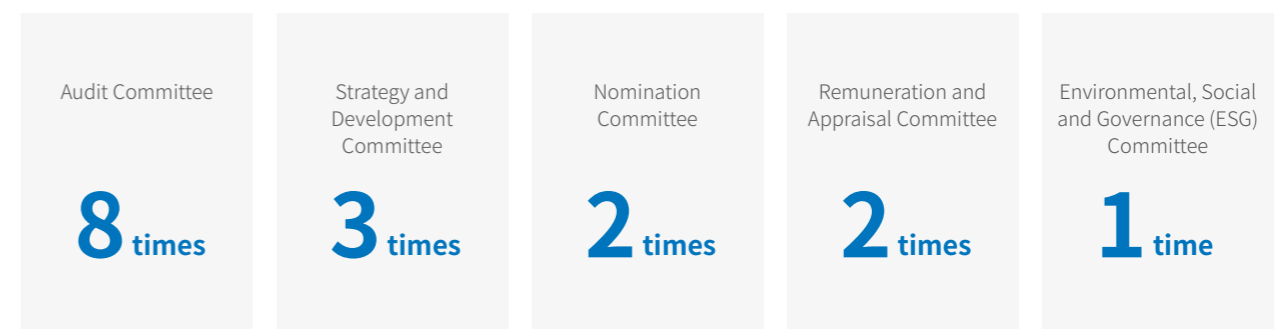
3 Hengtong elects the members of the eighth and ninth boards of supervisors in strict accordance with the *Company Law*, *Articles of Association*, and relevant regulations of the CSRC and the Shanghai Stock Exchange. The board of supervisors consists of 3 members, including 1 employee representative, with its composition meeting legal and regulatory requirements. The supervisors fulfill their duties by overseeing major operational, financial matters, related-party transactions, and the legality and compliance of directors and senior management in performing their duties, thus safeguarding the legitimate interests of Hengtong and its shareholders and ensuring proper corporate governance

4 Based on the requirements and regulations of the CSRC and the Shanghai Stock Exchange, and considering its own situation, Hengtong improves its internal control system, significantly enhancing its risk prevention capabilities and corporate governance standards

5 Hengtong strictly follows the *Information Disclosure Management System* and the *Insider Information Register Management System*. It strengthens the management of insiders through the implementation of insider information registration and external information reporting, standardizes the information disclosure review process, clarifies the confidentiality obligations of relevant personnel, and reinforces information disclosure awareness, effectively preventing disclosure violations

6 Through regular reports, interim announcements, emails, phone calls, and platforms like Shanghai Stock Exchange's e-interaction, Hengtong actively listens to reasonable suggestions and opinions from shareholders and investors, ensuring fair treatment for all, and safeguarding their legitimate rights and interests

Committee Meetings Held During the Reporting Period

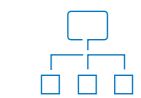


Hengtong enhanced its operational efficiency and effectiveness through the construction of an internal control system, promoting the realization of its development strategy and safeguarding the interests of the company and all shareholders. The eighth board of directors held its 21st meeting to review and approve the 2023 Internal Control Evaluation Report, available on the Shanghai Stock Exchange website (<http://www.sse.com.cn>).

BDO China Shu Lun Pan CPAs audited the effectiveness of the company's internal control over its 2023 financial statements and issued a standard unqualified audit report. For details of the "2023 Internal Control Audit Report" issued by Shu Lun Pan CPAs, please refer to the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>).

ESG Governance

Hengtong has established an ESG Committee as a specialized body under the board of directors, responsible for researching and making recommendations on the company's environmental, social, and governance matters. The board of directors, as the highest authority on ESG matters, oversees the implementation and supervision of the overall ESG strategy, including environmental management, climate change, hazardous substance and waste discharge, health and safety, and labor management.



Committee composition

The ESG Committee consists of three to five directors, including at least one independent director

Committee members are nominated by the chairman, more than half of the independent directors, or one-third of all directors, and elected by the board

A chairperson (convener) is appointed to lead the committee

The ESG Committee's term aligns with the board of directors, and members may be re-elected. If a member ceases to serve as a director due to resignation or other reasons, their committee position will automatically be vacated. The board will appoint new members according to the company's Articles of Association and the committee's rules



Responsibilities and Authorities

Formulate Hengtong's ESG strategies, principles, and policies, ensuring continuous implementation of board-approved ESG policies

Regularly review the achievement of the Hengtong's ESG goals

Monitor ESG-related risks and propose response strategies

Ensure ESG policies are aligned with national regulations and requirements

Review Hengtong's annual ESG report and other ESG-related disclosures, submitting recommendations to the board for approval

Monitor Hengtong's ESG strategy and progress

Address other matters authorized by the Board of Directors

The ESG Committee reports to the board, and its proposals are submitted for the board's review and decision-making

Stakeholders Engagement

Stakeholder participation and concerns are essential to Hengtong's ESG management. The company is committed to fostering positive interaction with stakeholders, continuously improving regular communication mechanisms, and using diverse channels to understand their expectations and demands, thereby creating value for all stakeholders.

Distribution of Hengtong's stakeholders



Hengtong consistently upholds the principles of integrity and transparency by disclosing its operational status and major issues truthfully. Hengtong places great importance on protecting the rights of shareholders and investors. By continuously enhancing the competitiveness of its products and services, maintaining its industry position, and focusing on sustainable green development, Hengtong reduces its environmental impact and creates long-term economic value for investors. In 2023, Hengtong held 78 strategy meetings, both online and offline, including roadshows and earnings briefings, receiving approximately 700 visits from brokers and institutional investors



Hengtong is committed to becoming a trusted provider of global information and energy interconnection solutions, always prioritizing quality. From customized needs to design, research, development, and production, the company offers clients integrated advanced solutions. It drives the entire industry chain's quality and development, empowering high-end manufacturing supply chain partners and promoting industry growth



Hengtong is dedicated to creating a shared future with its employees, offering a good working environment and employment opportunities. Hengtong encourages employee participation in corporate development while enabling them to maximize their potential and achieve personal growth

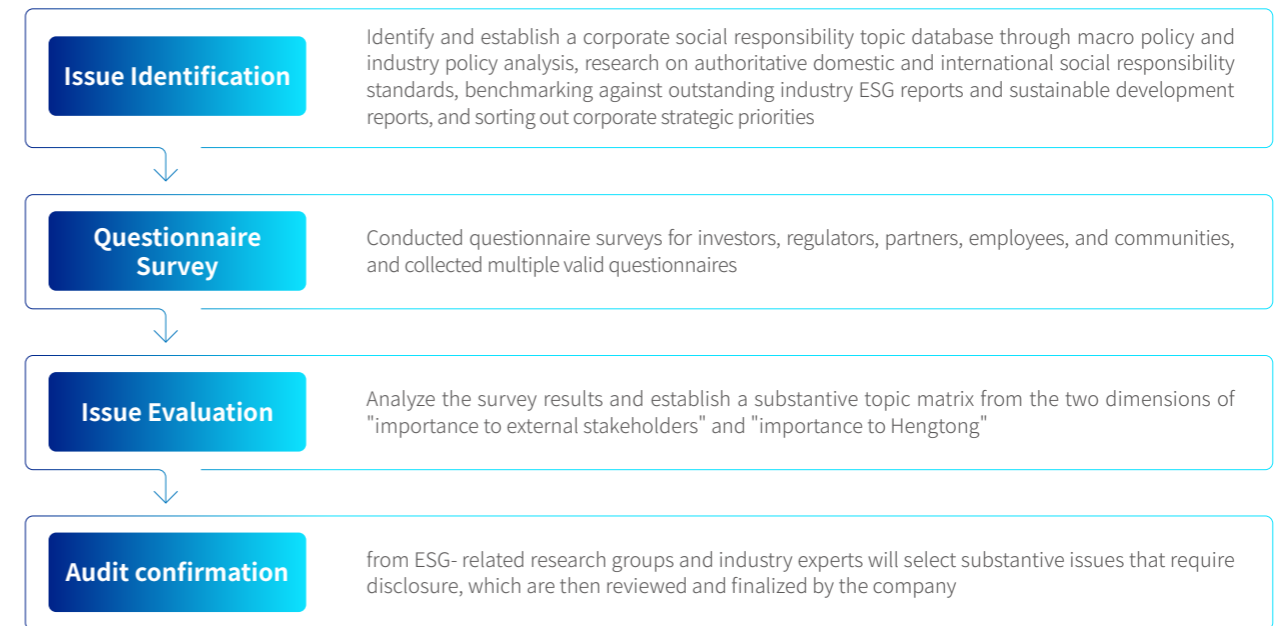


As Hengtong grows, it also contributes to the economic development of surrounding communities. Globally, the company actively engages in public welfare activities, enhancing social care, promoting rural revitalization, education support, and charitable projects to advance harmonious community development from multiple angles

During the reporting period, Hengtong identified key stakeholder categories, including employees, suppliers, customers, consumers, media, investors, industry associations, government agencies, and regulatory bodies. The main topics of concern and corresponding communication channels are as follows:

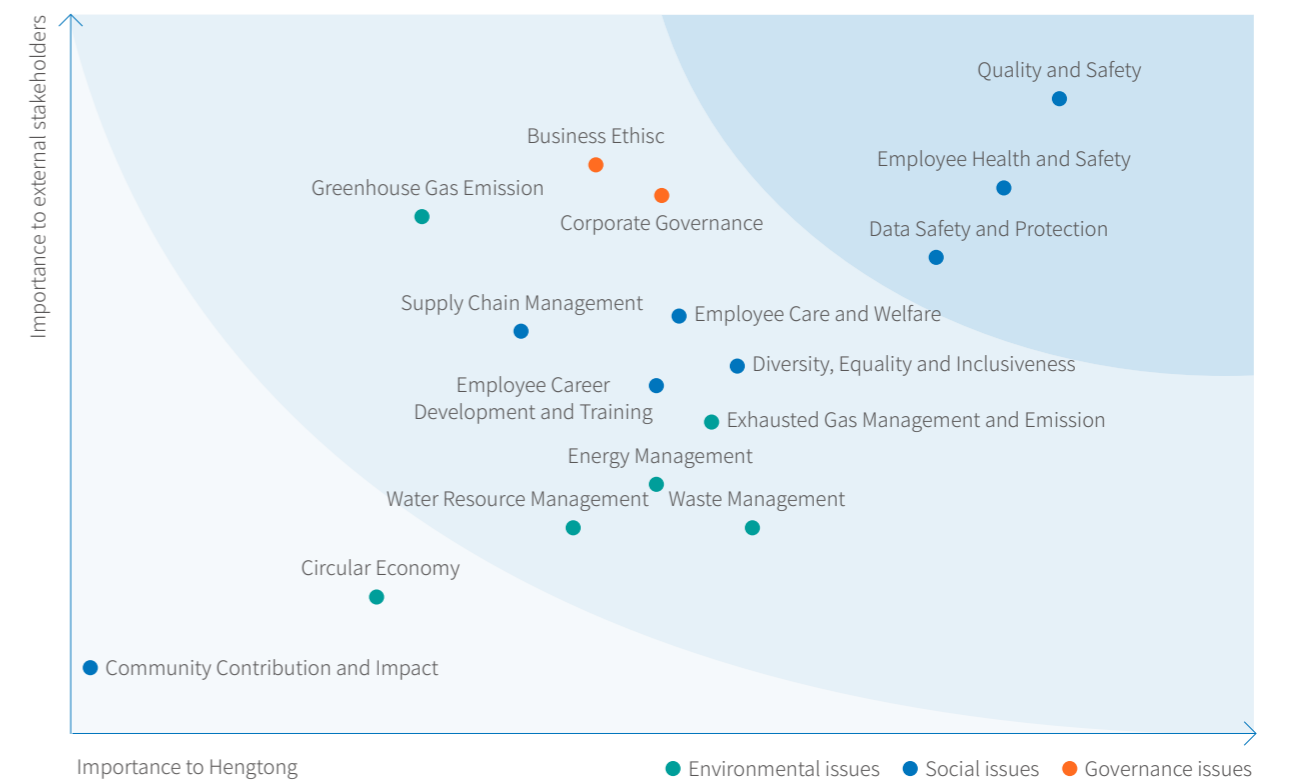
Stakeholder Distribution	Stakeholder Categories	Main Concerns	Communication Channels
Investors and regulators	Investment institutions/ Shareholders	<ul style="list-style-type: none"> Product quality corporate governance business ethics diversity employee health and safety 	<ul style="list-style-type: none"> Shareholders' meetings investor events performance releases
	Government/ Regulatory agencies	<ul style="list-style-type: none"> Emission management GHG management employee safety product quality ethics governance 	<ul style="list-style-type: none"> On-site visits periodic meetings
Partners	Suppliers	<ul style="list-style-type: none"> Product quality safety ethics data security governance 	<ul style="list-style-type: none"> Supplier development and audit supplier communication conference regular supplier visits and evaluations questionnaire survey
	Industry Associations	<ul style="list-style-type: none"> Energy management waste management water management employee care and welfare employee health and safety product quality and safety data security and privacy protection supply chain management business ethics corporate governance 	<ul style="list-style-type: none"> Industry exchanges and conferences Industry exhibitions and research cooperation
	Clients/Consumers	<ul style="list-style-type: none"> Product quality and safety employee health and safety employee career development and training employee care and welfare business ethics diversity equality and inclusion supply chain management corporate governance 	<ul style="list-style-type: none"> Customer satisfaction survey customer relationship management platform customer hotline company media publicity
Employees	Employees	<ul style="list-style-type: none"> Employee health and safety product quality and safety employee care and welfare data security and privacy protection corporate governance business ethics employee career development and training diversity equality and inclusion 	<ul style="list-style-type: none"> Internal meeting internal publications employee interviews and employee activities questionnaire survey collecting employee opinions (internal mailbox platform, telephone, etc.)
Community	Media	<ul style="list-style-type: none"> Energy management emission management and emissions employee health and safety product quality and safety data security and privacy protection supply chain management 	<ul style="list-style-type: none"> Media meeting news releases & announcements company media publicity

In response to the concerns raised by stakeholders, Hengtong has refined its comprehensive issue identification and evaluation processes.



Hengtong's Substantive Issue Identification and Assessment Process

In order to clarify the focus of ESG management, Hengtong comprehensively considered various substantive issues, evaluated and screened out 16 important issues, and ranked the importance of each issue to the company and external stakeholders to form an annual significant issue matrix. The following issues are disclosed in this report to respond to the concerns of stakeholders.



Hengtong 2023 Materiality Matrix

Risk Management

Hengtong has established a comprehensive risk management framework with reference to the enterprise risk management framework. Hengtong's Board of Directors and its subordinate Audit Committee provide overall leadership and deployment for risk management matters within the company.



The overall goal of the Company's risk management is to develop risk management policies that minimize risk without unduly affecting the Company's competitiveness and resilience. In 2023, we have developed risk management policies to identify and analyze the risks faced by the Company. These risk management policies clearly define specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates changes in the market environment and the Company's business activities to decide whether to update risk management policies and systems. On the other hand, the Company diversifies financial instrument risks through appropriate diversified investments and business portfolios, and reduces risks concentrated in a single industry, specific region or specific counterparty by formulating corresponding risk management policies.

Risk Type	Risk Description	Countermeasures
 Strategic Risks	Strategic risks refer to the risks that a company may encounter when developing and executing its long-term strategic plans, including market competition, technological changes, policy changes, and changes in industry trends. Rapid technological advances in the industry to which the company belongs and adjustments in global energy policies may have an impact on the company's long-term strategy	<p>Market Monitoring: Regularly monitor market trends, policy changes and competition dynamics to ensure that the company's strategy is consistent with the external environment</p> <p>Technology Investment: Increase investment in emerging technologies to maintain technological leadership in the industry, especially in 5G communications, smart grids and renewable energy</p> <p>Diversified Development: Diversify the risks brought about by market and policy changes through business diversification and regional expansion</p> <p>Regularly Review and Adjust Strategies: Establish a rolling planning management mechanism to continuously evaluate and adjust the strategy process to cope with rapid changes in the external environment</p>
 Legal and Compliance Risks	Legal and compliance risks involve whether the company complies with applicable laws and regulations during its operations, including intellectual property-related laws, environmental regulations, labor laws, data privacy regulations, etc. The industry to which the company belongs is strictly regulated, and any violations may result in fines, lawsuits or damage to brand reputation	<p>Compliance Management System: Establish a sound compliance management system to ensure that all business activities comply with relevant laws and regulations</p> <p>Regular training: Provide regular legal and compliance training to employees to enhance their legal and compliance awareness</p> <p>Internal Audit and Monitoring: Set up an independent internal audit department to conduct regular risk assessment and monitoring to promptly identify and correct potential compliance issues</p> <p>Legal Consultation: Maintain close cooperation with legal advisors to obtain the latest legal developments and compliance advice in a timely manner</p>
 Operational Risks	Operational risks include business interruptions, service degradation or safety incidents caused by natural disasters, equipment failures, human errors, etc. Business continuity and security are critical in the industry to which the company belongs, and any operational interruptions may have a serious impact on customers and the company's reputation	<p>Business Continuity Plan: Develop and implement a business continuity plan to ensure that normal operations can be quickly resumed in the event of an unexpected event</p> <p>Equipment Maintenance and Updates: Regularly maintain and update equipment to prevent business interruptions caused by equipment failures</p> <p>Emergency Response Team: Establish an emergency response team to ensure rapid response and take appropriate measures when operational problems arise</p> <p>Risk transfer: Transfer part of the operational risks to a third party through purchasing insurance and other means</p>
 Financial Risks	Financial risk involves the risks that a company may face in fund management, investment decisions, foreign exchange fluctuations and financing activities. The industry to which the company belongs usually requires a large amount of capital investment and has a long business cycle, so financial risk management is crucial	<p>Cash Flow Management: Strengthen cash flow management to ensure sufficient liquidity to cope with daily operations and emergencies</p> <p>Diversified Financing Channels: Expand diversified financing channels and reduce the risks brought by a single source of financing</p> <p>Financial Audit: Conduct regular financial audits and risk assessments to ensure the accuracy and transparency of financial statements</p> <p>Foreign Exchange Hedging Strategy: Adopt foreign exchange hedging strategy in international business to reduce the financial uncertainty caused by foreign exchange fluctuations</p>

Adhere to Business Ethics

As a global industry leader, Hengtong always applies the highest business ethics standards throughout its daily operations. In all its global business operations, the company adheres to the principles of integrity, transparency and fairness, ensuring that all decisions and actions comply with internationally recognized ethical standards and legal requirements.

Code of Business Ethics

Hengtong has established a detailed code of conduct to provide employees with clear behavioral guidelines covering several key areas:



Proper Use of Company Assets

Employees must use the company's tangible and intangible assets, such as production equipment, information systems, and intellectual property, responsibly. These assets must not be used for personal purposes or illegal activities



Prohibition of Deception and Misrepresentation

Hengtong requires employees to accurately reflect the company's actual operations when submitting business records and financial data. Any acts of false statements, information concealment, or record falsification will be strictly addressed



Avoidance of Conflicts of Interest

Hengtong values conflict of interest management, requiring employees to remain objective in decision-making processes that may involve personal interests. Employees must regularly disclose personal relationships and financial interests related to the company's interests to avoid situations that may affect fair decision-making



Prohibition of Improper Payments

Hengtong takes a strong stance against bribery and corruption, explicitly prohibiting the provision or acceptance of any form of improper benefits, including cash, gifts, travel, or entertainment, to or from any third party

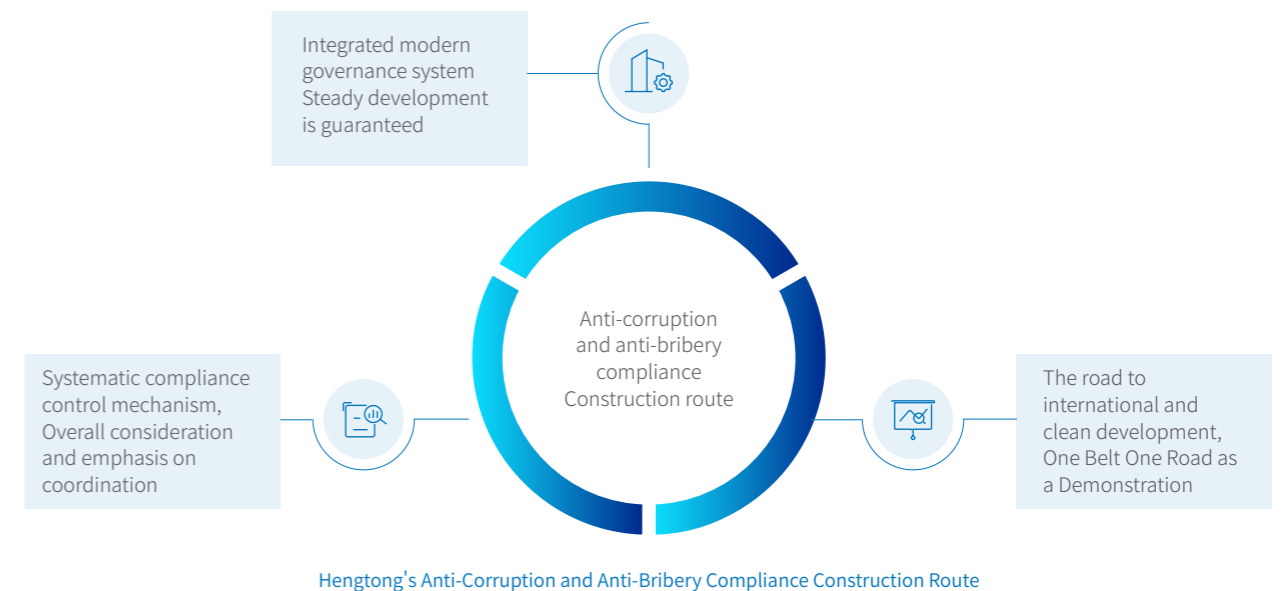


Information Protection

Hengtong places a high priority on the confidentiality of employee and client information. Employees are required not to disclose internal company information in public places or without authorization and must ensure that all sensitive information is effectively protected through strict confidentiality agreements and information protection measures


Anti-corruption and Anti-bribery

Hengtong strictly adheres to relevant laws and regulations, including the United Nations Convention against Corruption, the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, and the Interim Provisions on Prohibiting Commercial Bribery. It centers its efforts around three core principles: "Fairness, Transparency, and Competition." Hengtong continuously improves its internal anti-corruption and anti-bribery management processes and has established a robust management system and regulatory framework. The company maintains a zero-tolerance policy towards any form of bribery and corruption, enforcing strict anti-bribery policies that explicitly prohibit employees from offering or accepting any form of bribes, directly or indirectly, through third parties to gain business benefits. All individuals or entities representing Hengtong in business, including all employees, agents, contractors, subcontractors, and suppliers, are required to conduct their daily work in compliance with the law and uphold a zero-tolerance principle against any form of embezzlement, bribery, corruption, extortion, misappropriation of public funds, breach of duty, or harm to company interests. During the reporting period, no significant legal violations affecting company operations occurred.



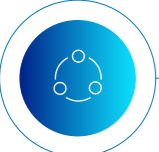
Compliance Management and Supervision Mechanism

Hengtong has established a complete business ethics management and supervision mechanism. Hengtong's Board of Directors and the Audit Committee are the leading and responsible agencies for business ethics work. The Internal Audit Department under the Audit Committee is responsible for conducting regular audits of all Hengtong's subsidiaries each year, including business ethics standards, corruption and bribery, etc., to supervise the implementation of Hengtong's business ethics behavior standards when carrying out business management activities.




System Development and Updating

Regularly review and update Hengtong's compliance policies to ensure they comply with the latest laws, regulations and industry standards



Management of Reporting Channels

Hengtong provides employees and third parties with global reporting channels, ensuring their high confidentiality and security, and designates specific personnel to handle reports and protect the privacy and safety of reporters



Investigation Process

After receiving the report, the Internal Audit Department will initiate the investigation procedure within three days and report the results to the Audit Committee after the investigation. Hengtong will take strict disciplinary measures against any person who violates business ethics and refer the case to the judicial authorities if necessary

Case **Special Event on Contract Management System and Integrity Risk Prevention**

In June 2023, the Wujiang Economic and Technological Development Zone Discipline Inspection Commission organized the "Integrity and Compliance System Construction for Enterprises - Special Event on Contract Management System and Integrity Risk Prevention." Under the guidance of relevant government departments, the company took the lead in establishing the Wujiang District Integrity and Compliance Enterprise Union, aiming to create a learning, sharing, and growth-oriented social organization. This union serves as a bridge, promoting mutual learning, collaboration, and communication among 86 member enterprises, fostering a shared consensus on integrity and compliance.



Additionally, Hengtong holds its suppliers to the same ethical standards and has signed a "Supplier Integrity Agreement" with them, clearly outlining anti-corruption and anti-bribery requirements. Suppliers who violate these requirements may face suspension of cooperation or be placed on a blacklist.

Anti-Unfair Competition and Anti-Money Laundering

Hengtong strictly adheres to the Anti-Unfair Competition Law of the People's Republic of China and the Anti-Money Laundering Law, along with other relevant laws and regulations. Hengtong has developed internal policies to respect competitors and strictly comply with applicable anti-unfair competition and antitrust laws in the places where it operates. It also remains vigilant against money laundering and the handling of illicit funds through its operations, actively promoting a fair trading environment. During the reporting period, Hengtong did not experience any public litigation related to unfair competition.

Whistleblower Protection


Hengtong encourages employees, external stakeholders, and the general public to report violations of business ethics. According to the "Disciplinary Inspection Management Measures of Hengtong Group," anyone has the right to supervise and report any misconduct or unethical behavior by Hengtong's management personnel or employees. Upon receiving a report, the Audit Committee will initiate an investigation within the framework permitted by laws and regulations, and provide feedback. If confirmed, necessary disciplinary actions will be taken, or the case may be referred to judicial authorities.

Hengtong Business Ethics Reporting Channel

Email: htjubao@htgd.com.cn

Hengtong prohibits all discrimination and retaliation against whistleblowers, and promises to strictly keep the whistleblower's information confidential and protect the safety and rights of the whistleblower. For whistleblower cases that are verified to be true, the company will reward the whistleblower accordingly, and strictly investigate and punish violations of discipline and regulations, dereliction of duty and unethical behavior, and take timely remedial and improvement measures to ensure that the company operates in compliance with laws and regulations.

Relevant personnel who have access to the reporting information shall not disclose any reporting situation (the reporter, the content of the report, the relevant personnel and information involved, etc.) to the outside; nor shall they tip off the relevant departments or individuals involved



Those who leak the whistleblower's information in violation of regulations or retaliate against the whistleblower will be punished according to the severity of the circumstances, up to and including dismissal and termination of their labor contracts; those who violate the law will be transferred to judicial authorities for handling in accordance with the law

Hengtong's whistleblower protection measures

During the reporting period

Hengtong

did not

have any corruption or bribery cases

and the anti-corruption training conducted

covered all

the middle-level managers and grassroots employees

Management of Integrity and Transparency in the Value Chain

Hengtong Optic-Electrics is committed to promoting high standards of business ethics and anti-corruption practices throughout its global value chain, ensuring that all partners and stakeholders adhere to principles of integrity, transparency, and fair competition. Through stringent governance rules and internal control systems, the company not only ensures legal compliance but also aims to protect its reputation, foster socioeconomic development in the communities it operates in, and create long-term sustainable value.

To achieve business ethics and anti-corruption objectives within the value chain, the company implements the following management measures:

Comprehensive Risk Assessment

Regularly assesses risks in the value chain to identify potential ethical and corruption risks, with a focus on high-risk areas and partners

Supply Chain Audits

Conducts regular ethical and compliance audits at critical points in the value chain to ensure all partners adhere to the company's ethical standards

Training and Education

Provides training on business ethics and anti-corruption for employees, suppliers, and partners, ensuring they understand and comply with the company's policies and regulatory requirements

Whistleblower Mechanism

Establishes transparent and secure reporting channels to encourage employees and value partners to report any unethical or potentially corrupt behavior, ensuring the privacy and safety of whistleblowers

To effectively implement its vision for ethical management and anti-corruption, the company has established the following management framework:

1 Governance Rules

Hengtong develops comprehensive governance rules that specify the ethical and anti-corruption standards all parties in the value chain must follow. These rules cover all stages from contract signing to execution, prohibiting any form of bribery, kickbacks, or improper benefits

2 Internal Control Systems

Hengtong designs and implements an internal control system that includes

- **Code of Conduct:** Hengtong establishes detailed codes of conduct regarding business ethics and anti-corruption
- **Contract Provisions:** Hengtong incorporates ethical and anti-corruption clauses into value chain contracts, requiring compliance from partners
- **Monitoring and Enforcement:** Hengtong sets up a dedicated monitoring team to oversee ethical and compliance matters in the value chain, taking corrective action when issues are identified

3 Transparency and Accountability Mechanism

The company is committed to financial transparency and accountability management, ensuring that all financial records and business reports accurately reflect the company's situation, prohibiting any form of false records, off-the-books funds, or asset manipulation. Key employees are required to regularly disclose potential conflicts of interest to ensure fair decision-making

- **Accountability Mechanism:** Hengtong establishes a robust accountability system to thoroughly investigate any violations of business ethics, implementing disciplinary measures based on the findings, including termination or legal action

4 Continuous Improvement and Employee Participation

Hengtong encourages employees to actively participate in the improvement process of business ethics management. Through employee feedback and regular evaluation, the company continuously optimizes policies and practices to ensure that they meet the needs of the company's global development

- **Improvement suggestion channel:** Hengtong has established dedicated channels for employees to submit improvement suggestions, either anonymously or by name, which will be evaluated and implemented by the internal audit department
- **Global consistency:** Hengtong ensures that its business ethics policies are consistently implemented across all business units and subsidiaries worldwide, making appropriate adjustments in accordance with the legal requirements of different countries and regions



02

Leading with Innovation: Creating Leading Quality

R&D and Innovation

▲ Sustainable Supply Chain

Quality Control

Responsible Sales

Customer Communication and Service



R&D and Innovation

Construction and Upgrading of R&D Management System

Hengtong continues to advance its IPD system to enhance R&D management levels. Building on the IPD 2.0 management system manual, Hengtong has supplemented it with market planning processes and an Innovation Management Maturity (IMM) module. It has further refined detailed processes for demand management, project initiation, product development, and decision-making and review mechanisms, culminating in the IPD 3.0 R&D management system manual. Guided by the principles of "Deepening, Expanding, Increasing Efficiency, and Sustainability," Hengtong continually optimizes its R&D management system, promotes a shift in innovative thinking, enhances the adaptability of demand management, project initiation, and product development processes, and strengthens cross-departmental collaboration and core talent development to comprehensively improve R&D efficiency and culture.

The IPD management methodology emphasizes starting from market demand and cross-departmental collaboration to ensure the full lifecycle management of product development. Through this approach, Hengtong can strictly control quality and risk at every stage of the product lifecycle, from concept and design to development, verification, and delivery, thus enhancing R&D efficiency and product competitiveness. Within the IPD 3.0 framework, Hengtong has introduced market planning processes and the IMM module to more accurately forecast market trends

and improve innovation capabilities. Additionally, it has refined team role management to ensure clear responsibilities and smooth cooperation among departments during project advancement.

Through this system, Hengtong not only responds more quickly to market changes but also effectively reduces environmental impacts and resource consumption during product development. The IPD methodology is closely integrated with the company's quality management system, aligning R&D activities with sustainability goals. At every project stage, Hengtong incorporates energy-saving, emission reduction, environmentally friendly design, and green manufacturing principles to ensure that new product development meets market demands while being highly environmentally friendly and sustainable.

In terms of supply chain management, Hengtong leverages the IPD system to collaborate with industry partners for joint innovation and coordinated R&D, ensuring supply chain efficiency and sustainable development. This comprehensive integration of quality and R&D management not only maintains the company's technological and product leadership but also enhances its ability to navigate the complexities and challenges of the global market. The introduction of the IPD 3.0 system marks a new milestone for Hengtong in R&D management, laying a solid foundation for the company's future sustainable development.

R&D Management Regulations and Annual Updates

In 2023, the Hengtong Research Institute released over 20 R&D management regulations, covering project initiation, acceptance, performance, process management, outcome assessment, incentives, intellectual property, standards, and patents. This year, eight key regulations were newly added or improved, including the "Pre-research Management Regulations," "Guidelines for Hengtong Technology Management System Construction," "Management Measures for Hengtong Industry-Academia-Research Collaboration," and the "IPD 3.0 R&D Management System Manual." These regulations provide strong support for the company's efforts in intellectual property, technology management, and R&D incentives, ensuring that R&D work is conducted in a standardized and efficient manner.

In 2023

The Hengtong Research Institute released over

20

R&D management regulations

Major R&D Achievements and Industry-Leading Technologies

Hengtong has achieved significant technological breakthroughs in multiple fields:

Communication Network Field

Hengtong has been awarded the title of "Smart Manufacturing Demonstration Factory for Optical Fiber" and maintains a leading position in 5G optical fiber communication, quantum secure communication, optical transceivers, and submarine ultra-high voltage power transmission. The release of the 800G QSFP-DD 2×FR4 optical transceiver and successful application of the 400G optical transceiver in domestic and international markets further solidifies its leadership. The R&D project on "Next-Generation Silica Optical Fiber Preform Key Technology and Industrialization" received the Second Prize for Technological Progress from the China Optical Engineering Society, reinforcing the company's market position in optical communication



National Intelligent Manufacturing Demonstration Factory

Marine Communication and Observation Field

Hengtong successfully developed the world's first prototype of a 32-fiber pair underwater communication repeater and a 32-fiber pair submarine cable, advancing the industry into the Petabit-level ultra-large capacity system transmission era. Hengtong also launched the world's first 18kV power supply solution for repeater submarine cable systems, significantly enhancing the technical level of marine communication. Additionally, it made significant progress in marine observation, completing the development of an underwater data transmission system based on optical fiber communication and passing relevant certifications, thereby initiating the localization process for marine oil and gas equipment



5G+Internet Intelligent Manufacturing Workshop

Energy Interconnection Field

Hengtong's fourth-generation ultra-flexible mineral insulated fire-resistant cable technology has reached an internationally advanced level, while its 500kV cross-linked polyethylene insulated submarine cable has achieved international leadership. Hengtong has also successfully developed a high-voltage torsion-resistant flexible cable for 132kV wind turbines and is the first to sell a 66kV environmentally friendly array submarine cable project, further enhancing its market competitiveness and technological advantage in the energy interconnection sector



Industrial Internet Development Demonstration Workshop

Sustainable Supply Chain

Hengtong is committed to building a stable, green, and sustainable supply chain by integrating sustainability into all processes of supplier access, evaluation, and management. The company assesses potential sustainability risks within the supply chain and encourages improvements to ensure compliance and stability.

Supplier Management

Based on a series of management regulations including the "Hengtong Supplier Access Standards," "Hengtong Supplier Management Regulations," "Hengtong Material Supplier Performance Evaluation Standards," "Hengtong Procurement Bidding Management Regulations," "Hengtong Procurement Contract Management Regulations," "Hengtong Procurement Execution Management Regulations," and "Hengtong Logistics Management Regulations," Hengtong evaluates the qualifications and performance of suppliers. During the reporting period, the coverage rate of suppliers certified by the ISO 14001 environmental management system reached 100%.

During the reporting period

The coverage rate of suppliers certified by the ISO 14001 environmental management system reached

100%

Admission and Review

- **Admission Standards:** Clearly defined criteria must be met for each category before applying for entry, including but not limited to corporate credit, production and delivery capability, product quality, environmental protection, occupational health and safety, commitments not to use conflict minerals, business ethics, and social responsibility
- **Review Process:** After admission, a sample batch will be produced for on-site audits of all suppliers. Upon passing the audit, a procurement framework agreement will be signed, detailing requirements for integrity guarantees, product quality, intellectual property, and supplier evaluations, thereby designating them as qualified suppliers
- **Performance Assessment:** Qualified suppliers will undergo monthly or quarterly performance evaluations based on the category of supplied materials. Non-compliance will trigger a series of corrective actions and measures, followed by regular re-evaluations

Classification and Hierarchical Management

- **Hierarchical Management:** Different assessment frequencies and management mechanisms are applied based on the importance of suppliers. Suppliers are categorized into four levels of importance based on factors such as irreplaceability, procurement scale, and sustainability risks. Category A and B material suppliers are assessed monthly, while Category C and D suppliers are evaluated quarterly. All qualified suppliers undergo a system audit at least once every three years during the bidding period
- **Classification Management:** Different assessment frequencies and management mechanisms are applied based on the type and nature of materials
 - ◆ Regular materials undergo annual, semi-annual, quarterly, and monthly tenders for flexible and routine management
 - ◆ Key materials or dominant suppliers will undergo targeted annual negotiations and sign strategic agreements to enhance cooperation and supply stability

Evaluation and Elimination

- **Continuous Evaluation:** Suppliers are continuously assessed. If a supplier's product scores below 70 points in performance assessments three times within a valid six-month period, that material will be frozen
- **Elimination and Blacklisting:** Suppliers may be frozen, eliminated, or blacklisted based on the severity of the situation in cases such as: ①Providing false information; ②Collusion or bid-rigging; ③Breaching contract during the contract period; ④Significant quality incidents causing severe impacts; ⑤No business activity for over two years resulting in freezing; ⑥Violating three agreements; ⑦Breaching national laws and regulations; ⑧Being frozen, eliminated, or blacklisted by other companies within Hengtong Group; ⑨Situations listed in the "Hengtong External Units or Individuals Blacklist Management Measures."
- **Continuous Optimization:** Suppliers in the top two grades will continue to collaborate, while C grade suppliers will be monitored for improvement, assistance, and re-evaluation. D grade suppliers will be classified as unqualified and terminate cooperation

Hengtong continues to deepen the construction of a sustainable supply chain, incorporating sustainability-related topics into supplier evaluation standards throughout the supplier lifecycle, making them crucial for supplier admission, daily management, evaluation, and elimination.

Hengtong's Sustainable Development Standards for Suppliers

Environmental Standards

- ◆ Should obtain ISO 14000 environmental management system certification and other relevant certificates
- ◆ Should establish environmental emergency response plans and major environmental factor monitoring systems
- ◆ Should create effective management mechanisms for environmental protection and waste management

Social Standards

- ◆ Should obtain ISO 45001 occupational health and safety management system certification and other relevant certificate
- ◆ Should establish mechanisms for identifying occupational health hazards and conducting safety training
- ◆ Should sign the "Social Responsibility Ethical Standards Agreement" to safeguard employee labor rights and welfare
- ◆ Suppliers are required to responsibly use mineral resources at every stage from extraction to processing, transportation, and sales, explicitly stating that minerals and raw materials from conflict areas are not accepted

Governance Standards

- ◆ Should have a good commercial reputation, with no significant violations or accident records
- ◆ Should sign the "Integrity Co-construction Agreement" and adhere to ethical business conduct



Supply Chain Risk Management

Hengtong has established a supply chain risk management mechanism consisting of three main modules: risk identification and assessment, risk response and prevention, and enhancement of risk management capabilities. This aims to create a routine control and resolution system for supply chain risks, continuously improving the ability to respond to these risks.

Risk Identification and Assessment

Through regular on-site audits and occasional supplier visits, Hengtong gathers information on suppliers' actual conditions. This is done in accordance with relevant supplier management policies and sustainable supply chain evaluation standards, allowing for timely identification or prediction of potential risks

By conducting timely research and analysis on international situations and market conditions, in conjunction with supplier evaluation results and operational status, potential related risks are identified

Risk Response and Prevention

Hengtong addresses supply chain risks through three dimensions: supplier source diversification, technological independence, and strategic supplier relationships. Hengtong actively develops alternative suppliers and nurtures potential ones, promotes PCN (Porous Coordination Network) changes, and encourages material localization. By breaking through technological constraints and establishing deep strategic partnerships with key suppliers, Hengtong aims to reduce supplier irreplaceability and ensure stable and sustainable supply

Enhancement of Risk Management Capabilities

Training for Procurement Personnel: During the reporting period, training sessions on procurement regulations, safety, and environmental protection were conducted for procurement staff to enhance their awareness and ability to address compliance and sustainability risks

Supplier Training: Ongoing training and outreach to suppliers are conducted. During the reporting period, specific performance evaluations on sustainability were implemented, with targeted training and support provided based on the evaluation results to improve suppliers' sustainability performance

Signing the "Social Responsibility Ethical Standards Agreement"

Hengtong signs the "Social Responsibility Ethical Standards Agreement" with all suppliers, explicitly requiring commitments to not employing child labor, not using forced labor, and not discriminating against employees, and commitments to respecting employee rights, and ensuring health and safety, including guaranteeing employee compensation and benefits. Hengtong also reviews and confirms these commitments during supplier audits and site visits

Environmental Performance Screening for Procurement Materials

Hengtong follows the EU RoHS standard version 3.0 and the latest REACH regulations for environmental performance requirements of raw materials. During the reporting period, 100% of the materials used in products complied with RoHS 3.0 certification

In the procurement phase, suppliers must provide third-party test reports that meet environmental requirements, which serve as the primary method for screening raw materials. Later, environmental standards testing is also conducted on finished optical cables, with qualified third-party reports verifying compliance with environmental requirements

During the reporting period, Hengtong proactively identified and analyzed potential supply chain risks based on operational realities, supplier conditions, and business situations, identifying three key risk categories:

Hengtong Supply Chain Risks and Responses

The complex and changing international situation may lead to instability with certain suppliers and a lack of technological independence, affecting the procurement of some materials and equipment

- Collaborate with domestic material and equipment manufacturers to develop alternative materials and components

Some key suppliers have low substitutability, making it challenging to enforce improvement plans when sustainability risks arise

- Accelerate the localization of materials and working with existing suppliers to develop such materials can break exclusivity or irreplaceability
- Involve senior management in supplier relationship management, maintain communication to enhance mutual trust, and establish a community of shared interests

Conflict Minerals Management

During the reporting period, Hengtong intensified efforts to reduce risks associated with conflict minerals, further identifying and assessing various sources of tin, tantalum, tungsten, and gold materials that may directly or indirectly finance armed groups in the Democratic Republic of the Congo. The following management measures were adopted and promoted:

Strengthening Due Diligence Processes

Hengtong enhanced its supply chain due diligence processes to ensure compliance with conflict minerals regulations and industry standards. By applying the CMRT (Conflict Minerals Reporting Template) model, the company aims to consolidate supply chain information, understand the origin of minerals, and verify the sources and regulatory chains of the minerals used in its products

Investment in Alternative Materials

Actively seeking alternative sources for minerals and promoting supply chain diversification to reduce reliance on conflict-affected areas

Establishing Conflict-Free Product Labels

To ensure customers and stakeholders are informed and support sustainable development goals, Hengtong implemented conflict-free product labels for relevant items

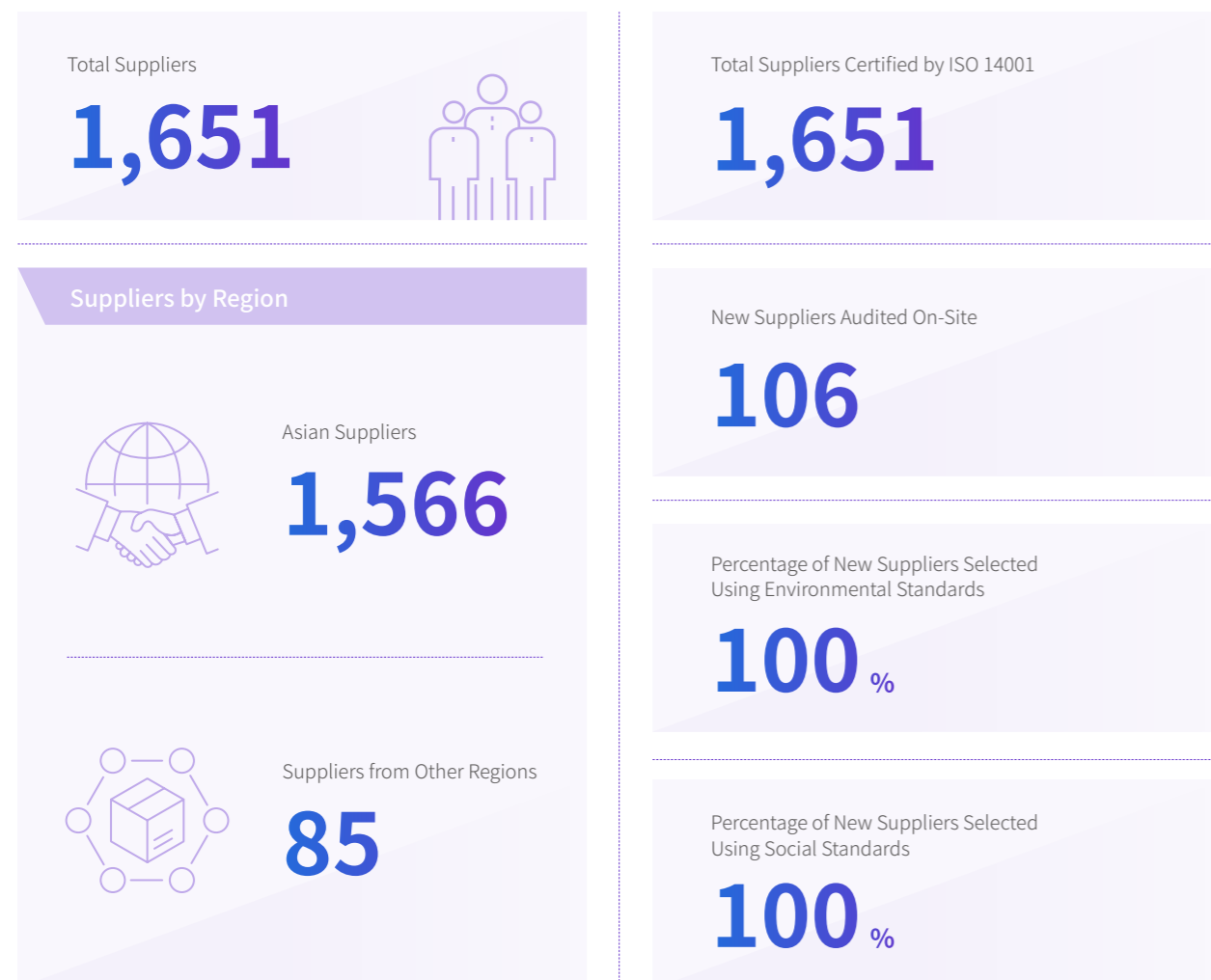
Raw Material Sustainability

In procuring raw materials, Hengtong prioritizes environmental performance and sustainability by using eco-friendly certified materials and components that meet recognized sustainability standards (e.g., ISO 14001, Forest Stewardship Council (FSC) certification, Cradle to Grave, etc.). Currently, 100% of the materials used are ISO 14001 certified.

During the supplier selection stage, a detailed environmental assessment is conducted to ensure compliance with sustainability requirements. This includes audits, site inspections, and third-

party evaluations to verify suppliers' environmental claims and collect detailed information about their environmental policies, practices, and products, including their environmental management systems, raw material sources, energy consumption, and waste management during production. For key materials, life cycle analyses (LCA) are conducted to assess the environmental impact throughout the entire life cycle, from raw material extraction to production, usage, and disposal.

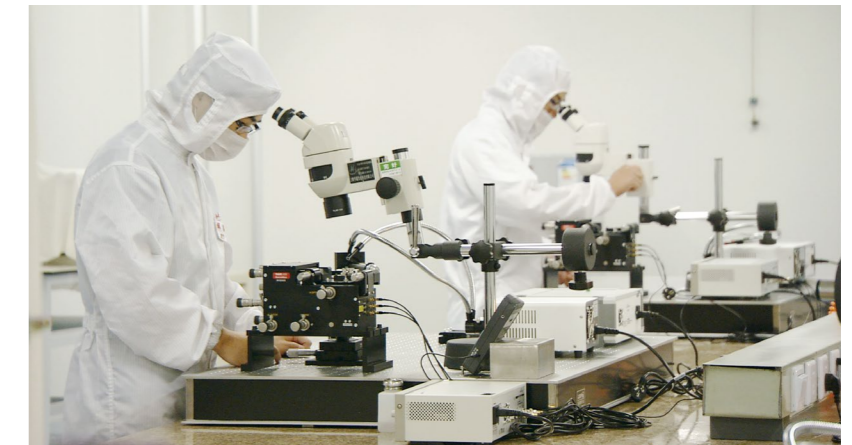
2023 Data



Quality Control

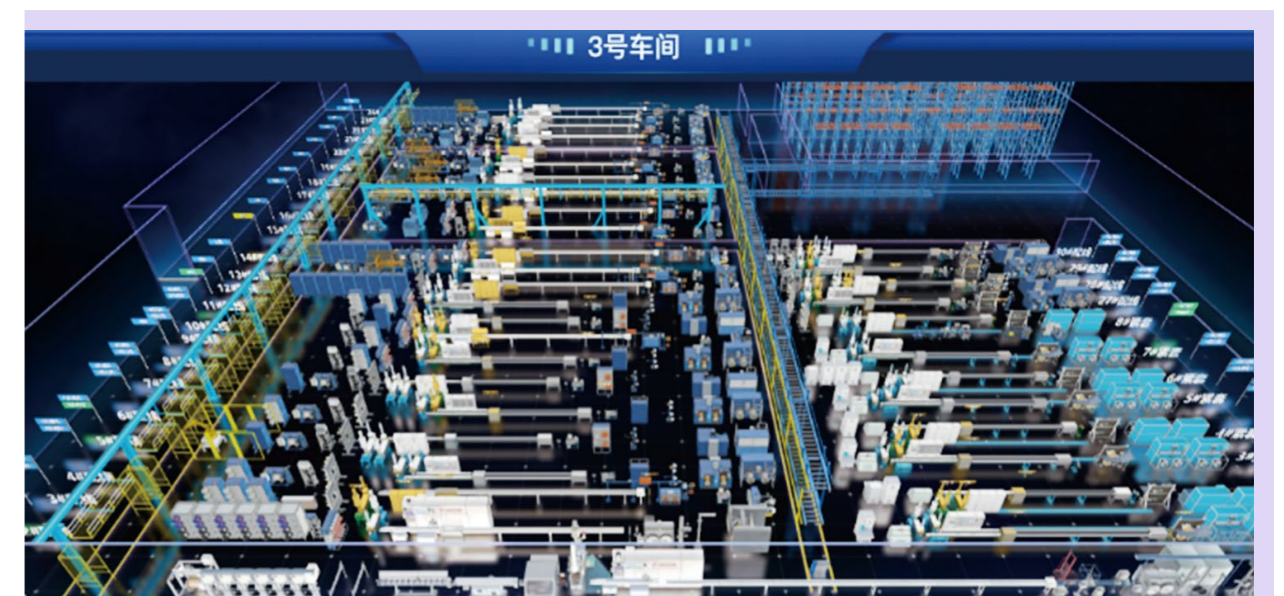
Hengtong has implemented a "Four-Way, Two-Sided" quality management model, establishing a comprehensive, systematic, and highly digitalized quality management system. This has successfully enhanced the reliability of products and services and significantly optimized the efficiency of the value chain. This model integrates four key areas: "full-stack independent research and breakthrough core technology, fully digital empowerment of quality management, all-around consolidation of quality infrastructure, and constructing a quality ecosystem across the entire value chain," showcasing Hengtong's technological leadership and market competitiveness in the global marine communications field.

Firstly, Hengtong has independently developed core technologies, successfully breaking through technical barriers in marine communications. Hengtong continuously promotes technological innovation, developing highly reliable communication products and systems that meet the demands of complex marine environments. This technological autonomy ensures Hengtong's competitiveness in the global market and the independence of its industrial chain, further consolidating its strategic position in international markets.



Special Optical Fiber and Cable Laboratory

In terms of fully digital quality management, Hengtong has built a 5G + IPv6 fully digital smart factory relying on an industrial internet platform, achieving digital twins of the production process and full lifecycle quality traceability. Through a "one item, one code" management mechanism, the company has achieved full traceability from raw material supply to product delivery, significantly improving management efficiency while reducing resource waste and environmental pollution, supporting global energy-saving and emission-reduction goals.



Digital Twin Smart Factory

To solidify quality infrastructure, Hengtong actively participates in the formulation and revision of international and domestic standards, holding significant positions in various industry organizations. By establishing world-class R&D centers, testing centers, measurement centers, and laboratories, the company ensures quality throughout product R&D, production, and service. This systematic construction of quality management infrastructure, combined with Hengtong's numerous patent reserves and international certifications, provides robust quality assurance for the global market.



Product Testing Scenarios

In the integration of quality management and corporate social responsibility, Hengtong adheres to the core concept that "quality is vital to an enterprise." Through standardized, systematic, and digital management measures, it strictly controls product quality while reducing resource waste and environmental impact during production. Hengtong is committed to promoting energy-saving and emission reduction through quality management, actively responding to global carbon neutrality goals. As a leader in the industrial chain, Hengtong has initiated and established the Marine Information Technology and Equipment Innovation Center, collaborating with over 50 universities, research institutions, and leading enterprises in the industry to create a quality ecosystem covering the entire industrial chain, ensuring high-quality development of the supply chain and reducing environmental and social risks.



Inaugural Conference of the Marine Information Technology and Equipment Innovation Industry Alliance



Hengtong International Marine Industry Development Strategy Seminar

In addition, Hengtong has established a customer-centered and market-oriented quality management culture. Through a multi-channel market service system and talent development mechanisms, Hengtong continuously enhances employees' quality awareness and technical capabilities, ensuring high-quality output of products and services.

Responsible Sales

Hengtong is well aware that responsible marketing is not only key to gaining customer trust and enhancing customer satisfaction but also a necessary means to shape a positive business environment and enhance brand value. The company places great importance on regulating marketing behaviors and strengthening sales personnel training, clearly committing to adhering to legal standards in all promotional and sales activities, maintaining a highly responsible attitude toward customers, and avoiding any misleading information. Additionally, the company respects competitors and provides fair evaluations, refraining from any inappropriate or non-objective denigration, thereby fostering a harmonious market environment.

Compliance Marketing Management Measures

Regulatory Requirements for Product Promotion and Service Information 01

Hengtong consistently adheres to the principles of transparency and authenticity in marketing, ensuring that all product promotion and service information comply with laws, regulations, and industry standards. The company has established strict review processes, requiring all promotional materials to undergo joint reviews by legal, marketing, technical, and other departments before publication, ensuring accuracy and authenticity. Special attention is paid to precise descriptions of technical parameters, product functions, and application scenarios to avoid any form of misleading advertising.

For international markets, Hengtong strictly complies with local laws and regulations, ensuring that global customers receive truthful, accurate, and consistent information about the company's products and services.

Handling Mechanism for Violations of Product Promotion and Service Information Regulations 02

Hengtong has set up a compliance supervision mechanism responsible for addressing any violations of product promotion and service information standards. Upon discovery or receipt of relevant complaints, the company will promptly initiate an investigation process, assess the severity of the incident, and take necessary corrective actions. Responsible parties will face appropriate consequences according to internal regulations. The company regularly reviews and updates compliance policies to ensure they adapt to the ever-changing legal and market environments.

Number of Violations During the Reporting Period 03

During the reporting period, Hengtong did not experience any incidents of violations related to product promotion and service information regulations. By continuously strengthening internal controls and supervision, the company ensures the accuracy and compliance of all promotional information, reflecting its effectiveness in compliance management.

Sales Personnel Management and Training

Hengtong places high importance on compliance management within its sales team, ensuring adherence to the highest professional standards during market promotions.



Training and Continuing Education

Hengtong provides systematic training for all sales personnel, covering relevant laws, compliance policies, and industry best practices. The training includes various learning formats to help sales personnel understand and apply compliance requirements. In addition to on-boarding training, the company regularly offers ongoing education to current sales staff to ensure they stay updated on the latest market trends and compliance requirements.



Management and Supervision Mechanism

Hengtong has implemented a comprehensive management and supervision mechanism to ensure that sales personnel strictly adhere to compliance requirements in their daily work. The compliance behavior of the sales team is supervised by their supervisors, and Hengtong has established anonymous reporting channels to encourage employees to report any potential violations. Regular internal audits further ensure the enforcement of compliance policies.



Performance Assessment and Incentives

Compliance performance is included in the evaluation of sales personnel's performance, directly affecting their assessment results. This mechanism not only strengthens the compliance awareness of the sales team but also helps the company maintain a good reputation in the market.



Customer Communication and Service

Hengtong is dedicated to providing every customer with professional and responsible high-quality service. By establishing a comprehensive customer service system, the company carefully listens to customer feedback, promptly addresses customer needs, and effectively protects customer privacy to create the best possible customer service experience.

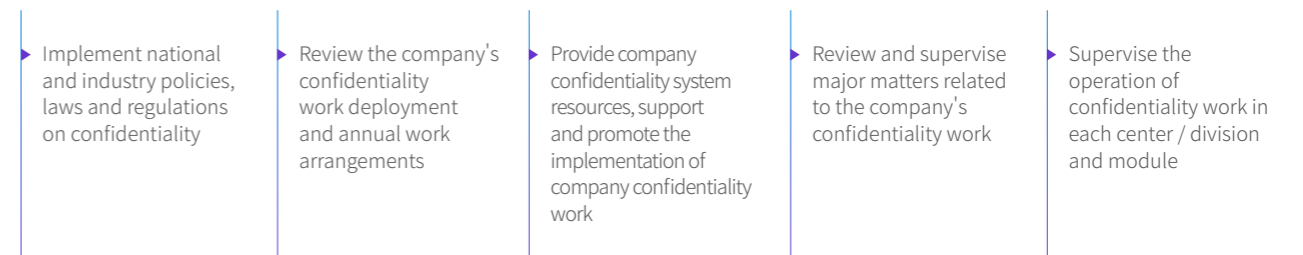
Service System

Hengtong upholds the service philosophy of "All Staff Service, Touching Customers, Sincerity Forever" and has established internal norms such as the "Customer After-Sales Service Management System," "Emergency Response Management System," "Customer Complaint Management Measures," and "Special Process for Customer Complaints and Returns." These regulations define the communication and handling processes for customer complaints. With after-sales and engineering services as the two pillars, the

company has improved its rapid response and emergency handling mechanisms for customer complaints and market emergencies, requiring that significant complaints be addressed within 12 hours to quickly and effectively enhance service quality and minimize negative impacts on both the company and customers. During the reporting period, the company did not receive any complaints related to products and services.

Information Protection

Hengtong has established a strict information security and confidentiality system, creating a dedicated Information Security and Confidentiality Committee under the oversight of the Environmental, Social, and Governance (ESG) Committee at the board level to supervise and manage confidentiality-related work. During the reporting period, Hengtong did not experience any incidents of information leakage or cybersecurity issues.



Main Responsibilities of Hengtong Optic-Electric's Confidentiality Committee

Hengtong adheres to the "Hengtong Group Information Security and Confidentiality Management Regulations" and has formulated "Hengtong Technical Data Confidentiality Control Regulations" and other internal systems aimed at all employees. These regulations cover all operational aspects and supply chain information security and privacy management, incorporating information management into business ordering, contracts, and other processes through specialized account management. Different levels of access permissions are established for different account roles. Key personnel in sensitive positions must sign confidentiality agreements to ensure data security. If any violations of the agreements are found, Hengtong may verify through internal and external resources and provide relevant evidence to pursue the liability of the individuals involved. During the reporting period, Hengtong did not have any cases involving infringement of customer privacy or loss of customer data.

opt-out when their information is collected and may request access to the data held by Hengtong, request the transfer of their data to other service providers, and request corrections or deletions of their data.

At the same time, in order to ensure the overall information security of Hengtong, we have established an information security incident response procedure. All information security architectures have passed ISO 27001 certification and conduct response tests every six months. On this basis, Hengtong has established an information security risk reporting channel for all employees, provided information security training for employees, and used information security accident responsibility as an important reference for employee performance evaluation, established a corporate culture and corporate mechanism that attaches importance to and protects information security, and effectively ensures that customer privacy is not leaked.

On this basis, to safeguard overall information security at Hengtong, we maintain a high level of transparency and thorough communication with customers regarding information security and privacy protection mechanisms, ensuring they are aware of the nature and purpose of the information we collect, the retention period of the information, and their right to decide how their information is collected, stored, and used. Customers are explicitly informed that they have the right to opt-in or



After-Sales Service - Comprehensive Service Network

- To ensure customers can easily consult product information and provide feedback, all Hengtong service centers have regional and customer managers, offering 24-hour free services
- Hengtong provide in-depth services like customer follow-ups and training. Each quarter, Hengtong survey customer service and consumption needs, designing targeted training programs led by technical experts with both theoretical and practical experience. Hengtong also offer free on-site installation guidance and training for customer technicians

Engineering Services - Professional

- Hengtong's Engineering Service Department consists of professional engineers to ensure immediate repairs for engineering faults, providing robust technical support to clients
- During the product warranty period, any quality issues will be addressed by on-site technical personnel who provide free repairs and cover any resulting economic losses
- After the warranty period, technical personnel will be dispatched to resolve issues promptly, typically within 30 minutes, depending on the situation

On this foundation, Hengtong conducts annual customer satisfaction surveys to accurately capture customer pain points and assist clients in timely resolution of concerns. In 2023, customer satisfaction survey results indicated a satisfaction score of 96.31 points.

03

Low-Carbon Development: Illuminating a Green Future

Facing the challenges of global climate change and the transition to a green and low-carbon economy, Hengtong adheres to the development philosophy of "green development, circular development, and low-carbon development." Hengtong practices a low-carbon development strategy, actively building a high-end green manufacturing system. By introducing advanced technologies, optimizing production processes, and improving resource utilization, Hengtong achieves low-carbon and environmentally friendly products and production processes, actively responding to the United Nations Millennium Development Goals and the Paris Agreement, promoting a win-win situation for both the economy and the environment, and gaining high recognition from international and domestic rating agencies. Hengtong closely tracks international green and low-carbon policy dynamics and strengthens cooperation and communication with outstanding domestic and foreign enterprises, continuously pursuing green innovation and clean technology research and development, enhancing its green manufacturing capabilities, and striving to promote the transformation and upgrading of the manufacturing industry. Hengtong contribute positively to achieving global green and low-carbon development in response to climate change.

Environmental Protection and Management

Climate Change and Carbon Neutrality

Energy Efficiency Improvement and Transformation

Water-saving Transformation and Optimization

Emission Management and Recycling

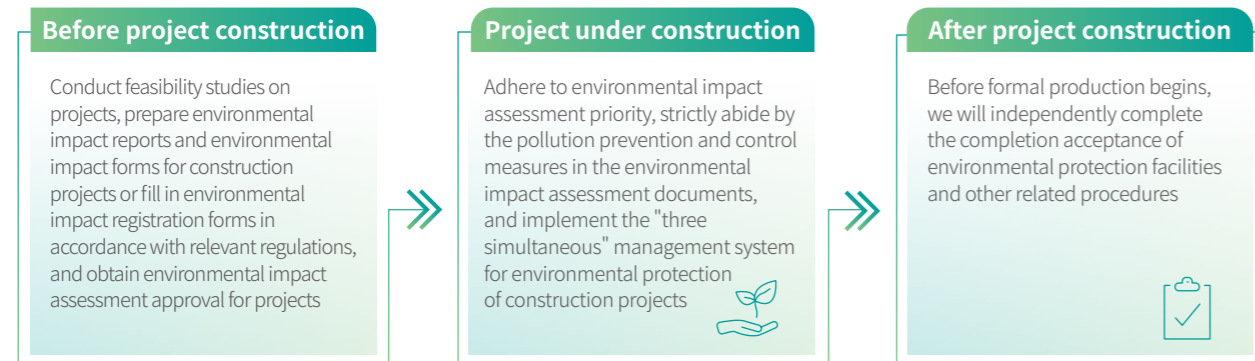


Environmental Protection and Management

Hengtong integrates green development and environmental protection into the company's long-term strategy, consistently implementing sustainable development concepts. Based on compliance with domestic laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Environmental Impact Assessment Law, and the Environmental Protection Tax Law, Hengtong thoroughly implement relevant overseas environmental regulations such as international environmental law, the Environmental Responsibility Directive, and the Industrial Emissions Directive, striving to minimize the negative environmental impacts throughout the entire life cycle of products from design, production, usage, and disposal. During the reporting period, Hengtong did not experience any incidents of violating environmental laws and regulations. The company has been awarded the National Industrial Product Green Design Demonstration Enterprise certification and has accumulated seven green product certifications.

Environmental Management System

Currently, Hengtong has established a complete environmental management framework, with the board of directors serving as the highest governing body responsible for the final environmental management outcomes. The ESG Committee oversees environmental management matters, formulates and reviews progress toward environmental management goals, and assesses the environmental performance of subordinate companies, reporting to the board of directors. The ESG working group is responsible for coordinating the specific execution of environmental management across departments, implementing environmental pollution risk assessments, and managing emergency responses to incidents. During the reporting period, the company actively participated in the construction of project environmental compliance, further improving the compliance management processes.



Hengtong Optic-Electric's Environmental Compliance Construction Management Process

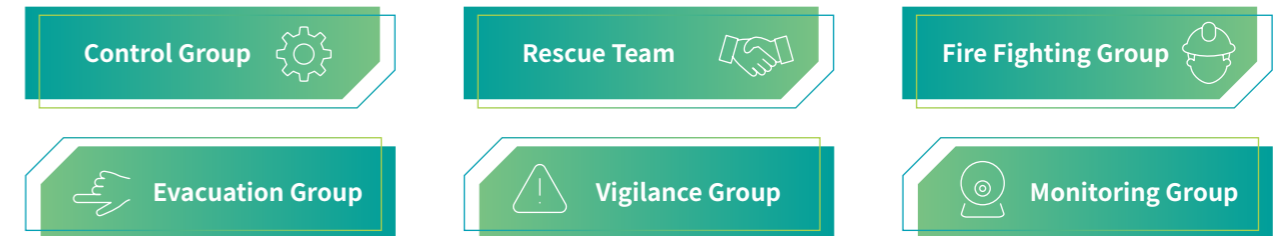
In terms of green office practices, Hengtong actively advocates paperless operations and green commuting for employees, continuously promoting the construction of information systems, prioritizing the purchase of new energy vehicles for business use, and providing charging services for employees. Additionally, Hengtong has engaged professional administrative service resources and adopted a strategy of integrating social resources for environmentally friendly printing services, thereby further reducing the consumption of printer toners and ink cartridges.

Furthermore, Hengtong has obtained ISO 14001 environmental management system certification, covering 100% of its core business operations, including environmental management activities related to the design and production processes of relevant products. Each year, Hengtong conducts regular external audits based on ISO 14001 standards to assess compliance with environmental laws, the implementation of environmental management policies, and the effectiveness of risk control measures, and Hengtong performs re-certification audits every three years to ensure that environmental management audits encompass all of Hengtong's operational areas.

On this basis, Hengtong follows a green incentive mechanism and accountability system, focusing on resource consumption, environmental impact, and ecological benefits within the evaluation framework of ecological civilization construction. Hengtong diligently promotes green factory construction, prioritize project environmental compliance management, and strengthen environmental control across the supply chain.

Environmental Risk Management

To ensure the orderly advancement of environmental risk management processes, the company has established a grassroots organizational system for environmental emergency risk management that includes a control team, rescue team, fire prevention team, evacuation team, alert team, and monitoring team. Each team performs its duties to provide timely, comprehensive responses to environmental risks.



Hengtong Optic-Electric's Environmental Emergency Risk Management Grassroots Organization System

In terms of environmental pollution risk investigation, Hengtong has formulated an enterprise emergency response plan for environmental pollution emergencies. By conducting daily environmental hazard investigations and closed-loop tracking of environmental risk points discovered during the investigations, Hengtong also regularly conducts emergency drills for environmental pollution emergencies, and dynamically optimizes and improves problems discovered during the drills.



Cablescom, a subsidiary of Hengtong Optic-Electric, carries out tree planting campaign



Aberdare, a subsidiary of Hengtong Optic-Electric, issues a poster calling for action



Alcobre, a subsidiary of Hengtong Optic-Electric, installs rooftop photovoltaic panels

"Hengtong Environmental Protection Month" Action

Ecological Assessment and Protection

Hengtong is committed to protecting the ecological environment and biodiversity, avoiding damage to forests, ensuring that wood and packaging materials used in production come from sustainably managed forests, and reducing the negative impacts of its business activities on biodiversity. This includes adopting more sustainable resource management and operational strategies and considering ecological protection needs during project planning and expansion. We collaborate with suppliers to ensure they adhere to the same environmental standards, thereby ensuring the sustainable development of the entire supply chain.

To fulfill this commitment, Hengtong conducts biodiversity risk assessments in certain regions, particularly where production bases are located, focusing on understanding the potential impacts of company activities on biodiversity, especially concerning production facilities and raw material supply chains. During the assessment process, Hengtong works with local environmental organizations and utilize scientific data and Geographic Information Systems (GIS) tools to analyze the ecosystems and species potentially affected by the operations.

Case

Hengtong's underwater biodiversity protection

Before commencing the underwater cable project in the Red Sea of Saudi Arabia, Hengtong controlled environmental compliance based on an approved Construction Environment and Social Management Plan (CESMP), assessing and monitoring biodiversity and ecological conditions in the project area. To mitigate impacts on marine animals listed in the Red List of the International Union for Conservation of Nature and protect approximately 210 species of hard corals and 120 species of soft corals within the protected area from project and business activities, Hengtong formed a professional environmental protection team to work in coordination with the owner's team, successfully relocating 2,743 living corals. Additionally, articulated pipes were installed in other areas to protect cables while ensuring the normal growth of underwater corals.

Successfully relocating

2,743 living corals



Climate Change and Carbon Neutrality

In 2015, nearly 200 countries and regions globally adopted the Paris Agreement, with its primary vision of global cooperation to collectively address climate change and mitigate its adverse effects on ecosystems and society. As of October 2023, 151 countries have set carbon neutrality targets, covering 92% of global GDP, 89% of the population, and 88% of emissions.

In the current trend of countries advancing their "carbon peak and carbon neutrality" goals in response to climate change, Hengtong, as a leading provider of information and energy interconnection solutions, recognizes the imperative to effectively and orderly respond to the risks and opportunities brought by climate change.

Case

Launch of SBTi Project by Jiangsu Hengtong Power Cable Co., Ltd.

To promote carbon neutrality activities and meet the increasing demand for "green cables" from domestic and international customers, Hengtong has been actively urging suppliers to adopt green energy for the production of green products. On October 31, 2023, Jiangsu Hengtong Electric Power Cable Co., Ltd. submitted a commitment letter to the SBTi organization, which has been reviewed and publicly disclosed on their official website prior to this report.



Jiangsu Hengtong Power Cable Co., Ltd. Applies to Join the SBTi Science Based Targets Organization and make a commitment

Short-term targets:

- By 2033, reduce absolute greenhouse gas emissions from Scope 1 and Scope 2 by 54.6% based on the 2022 baseline
- Within the same time frame, reduce greenhouse gas emissions per million RMB added value by 61.1% in areas such as purchased goods and services, upstream and downstream transportation and distribution, use of sold products, and end-of-life treatment of sold products

Net Zero Targets:

- By 2045, achieve a 90% reduction in absolute greenhouse gas emissions from Scope 1 and Scope 2 compared to the 2022 baseline
- Within the same time frame, achieve a 90% reduction in absolute greenhouse gas emissions from Scope 3, covering purchased goods and services, upstream and downstream transportation and distribution, use of sold products, and end-of-life treatment of sold products

Case Launch of SBTi Project by Jiangsu Hengtong Submarine Cable Co., Ltd.

In June 2023, Hengtong Submarine Power Cable Co., Ltd. formally applied to join the SBTi science-based carbon target organization. To achieve the SBTi 1.5°C target, the company has actively formulated green carbon reduction goals, reasonably planned emission reduction pathways, and firmly implemented reduction measures. During the reporting period, it also received ISO 14064 greenhouse gas verification statements and ISO 14067 product carbon footprint verification certificates.



Hengtong Submarine Power Cable Co., Ltd. applies to join the SBTi Science Based Targets Organization and makes a commitment

Short-term targets:

- By 2033, reduce absolute greenhouse gas emissions from Scope 1 and Scope 2 by 54.6% based on the 2022 baseline
- By 2033, achieve a reduction of 61.1% in greenhouse gas emissions per million profit based on the 2022 baseline

Net Zero Targets:

- By 2045, achieve a 90% reduction in absolute greenhouse gas emissions from Scope 1 and Scope 2 compared to the 2022 baseline
- Within the same time frame, achieve a 90% reduction in absolute greenhouse gas emissions from Scope 3

By 2033, reduce absolute greenhouse gas emissions from Scope 1 and Scope 2 by

54.6%

By 2045, achieve a

90%

reduction in absolute greenhouse gas emissions from Scope 1 and Scope 2 compared to the 2022 baseline

By 2033, achieve a reduction of

61.1%

in greenhouse gas emissions per million profit

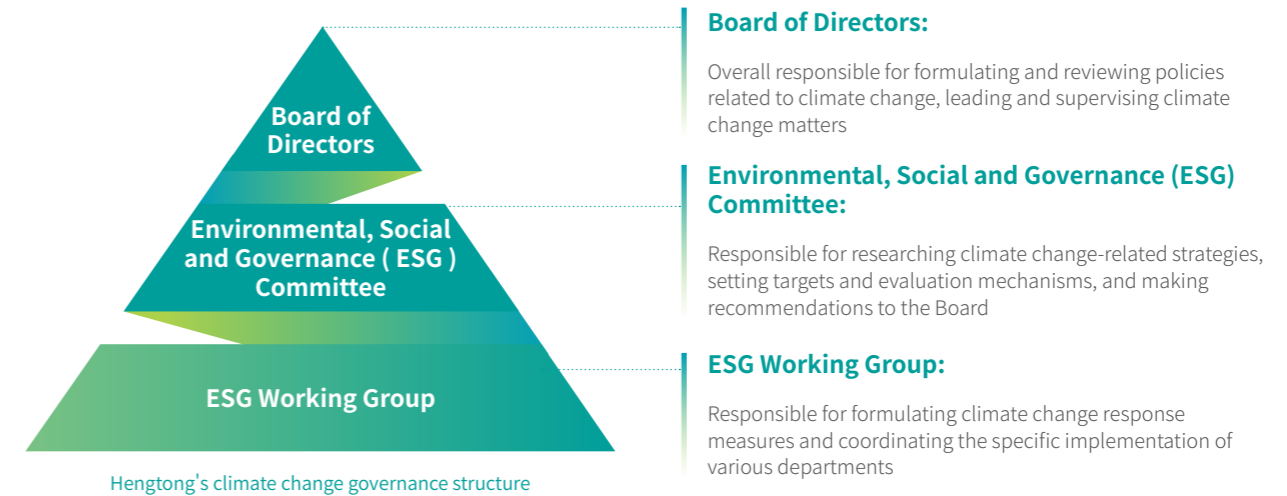
Within the same time frame, achieve a

90%

reduction in absolute greenhouse gas emissions from Scope 3

Governance

In terms of climate change governance, Hengtong Optic-Electric has established a three-level climate change governance structure consisting of the Board of Directors, the Environmental, Social and Governance (ESG) Committee and the ESG Working Group:



Hengtong's ESG Sustainable Development Value Management

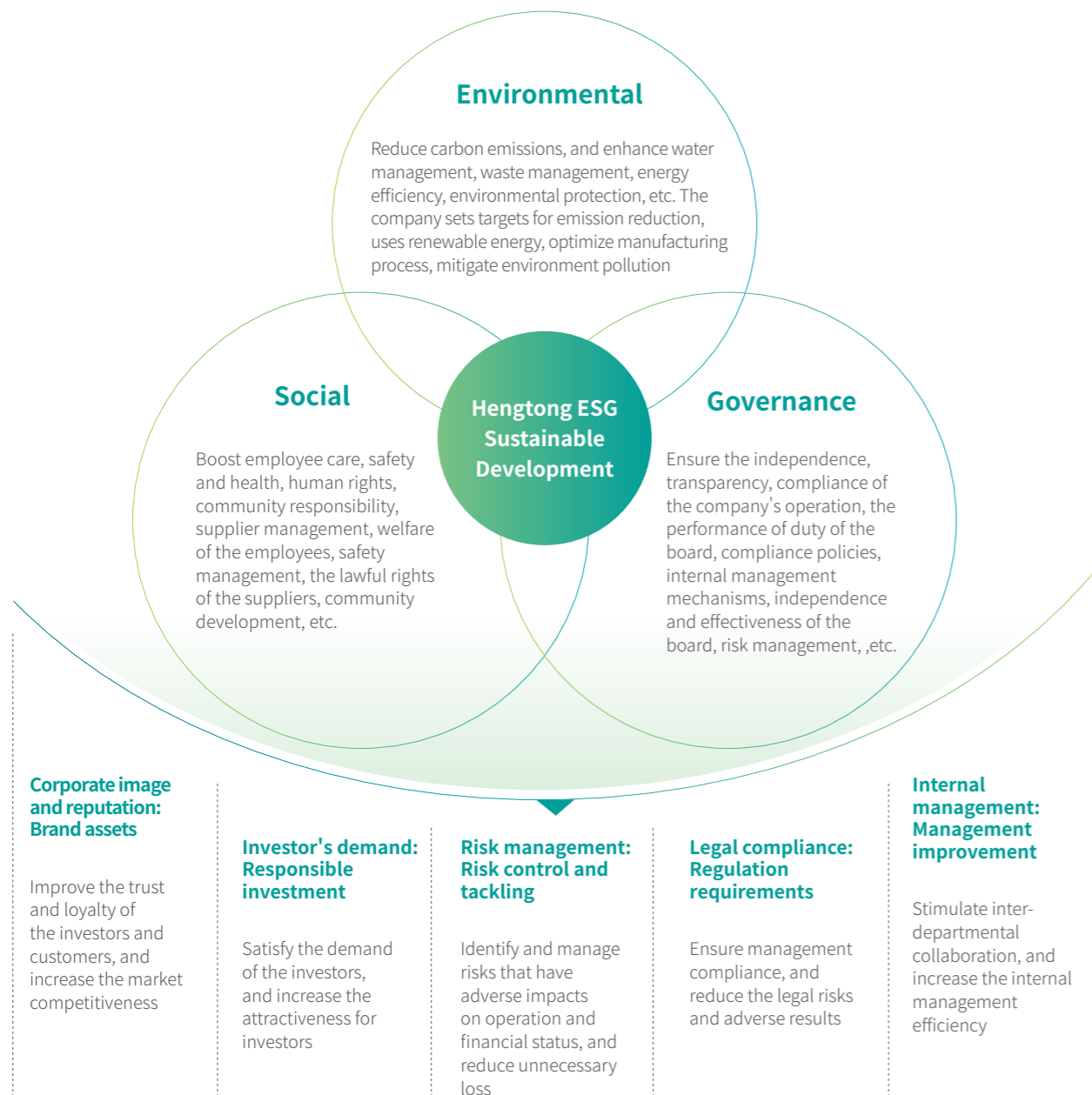


Hengtong is committed to effectively managing the risks posed by climate change. We reference the Task Force on Climate-related Financial Disclosures (TCFD) framework to identify climate change risks and their potential impacts while proactively responding. Additionally, we seize the opportunities for green development arising from climate change by heavily investing in clean technology research and development and continuously promoting energy transition and green upgrading in our industry.

Hengtong ESG Sustainable Development Capacity Construction - Turning "Virtual" into "Real"

The company is committed to transforming the ESG strategy from a concept into practical actions, and promoting substantial improvement of sustainable development capabilities by implementing specific measures in the three aspects of environment, society and governance. In terms of environmental protection, Hengtong has implemented its environmental protection commitments through practical actions such as reducing carbon emissions, improving energy efficiency, and promoting the application of renewable energy. In terms of social responsibility, Hengtong focuses on employee welfare, safety and

health, and community development, ensuring that social responsibility is not just a slogan, but is actually integrated into daily operations. At the governance level, Hengtong has implemented governance concepts into concrete actions by strengthening compliance management and internal governance, improving management transparency and risk control capabilities. All of this not only demonstrates Hengtong's commitment to sustainable development, but also strengthens the its competitiveness in the market and investors' confidence, turning "virtual" visions into "real" results.

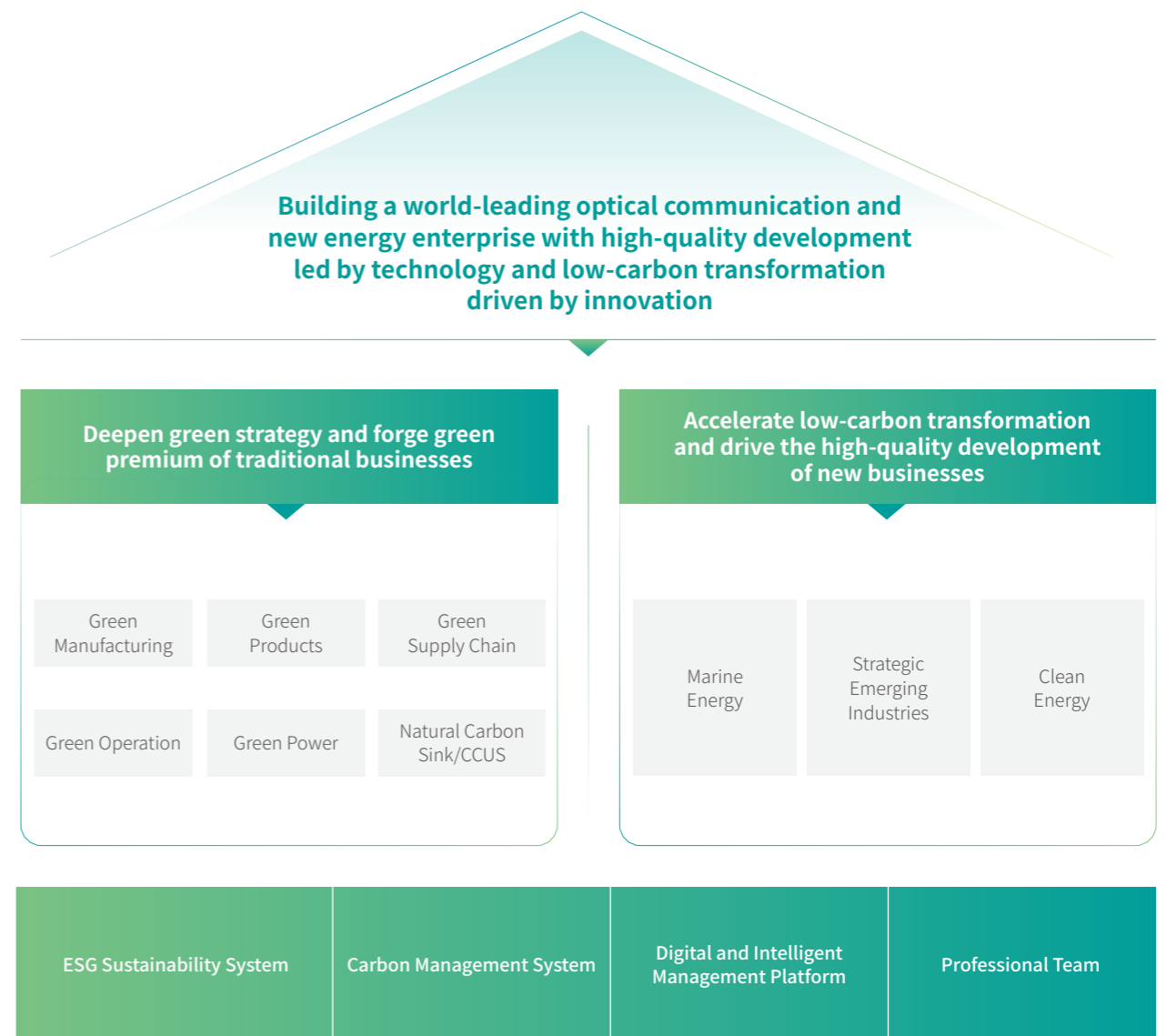


Strategy

Hengtong aims to become a world-leading optical communication and renewable energy enterprise. By leveraging technology to drive high-quality development and innovation to promote low-carbon transformation, the company is dedicated to achieving a future that is green, low-carbon, and sustainable. Hengtong deepens its green strategy, creating a green premium in existing businesses while accelerating low-carbon transformation and driving high-quality development in new businesses. In specific

fields, Hengtong focuses on green manufacturing, green products, green supply chains, marine energy, green operations, green electricity, natural carbon sinks/CCUS, clean energy, and strategic emerging industries. Additionally, Hengtong has established an ESG sustainable development system, a carbon management system, an intelligent management platform, and a specialized team to ensure the effective implementation and continuous development of these strategies.

Green, Low-Carbon and Sustainable Development Strategy



Green, Low-Carbon and Sustainable Development Actions

Hengtong pursues green sustainable development as a strategic direction, aiming to achieve a win-win situation for economic and environmental benefits through measures such as optimizing industrial structure, strengthening energy management, developing low-carbon technologies, and promoting green finance. Hengtong actively builds a low-carbon management system to improve resource utilization efficiency, reduce greenhouse gas emissions, and increase investments in renewable and clean energy to decrease reliance on fossil fuels. Furthermore,

Hengtong promotes technological innovation to develop advanced energy-saving and emission-reduction technologies and processes, improving industrial energy efficiency. Hengtong also strengthens collaboration with various sectors to advance green development, actively participating in the formulation of domestic and international green standards, leading the industry toward sustainable development. Through these efforts, Hengtong not only achieves its own green development but also contributes to social and economic progress.



Following the analysis scenarios published by institutions like the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), Hengtong identifies climate change physical risks based on "Representative Concentration Pathways (RCP)" for greenhouse gas emissions. It also assesses transition risks by referring to the "Net Zero Emissions by 2050 (NZE)" scenario and the "Stated Policies Scenario (STEPS)", prioritizing risks according to their likelihood and impact.

RCP8.5 Scenario:

- A scenario in which the global average temperature rises more than 4°C above pre-industrial levels by 2100, known as the "4°C or more warming" scenario

RCP4.5 Scenario:

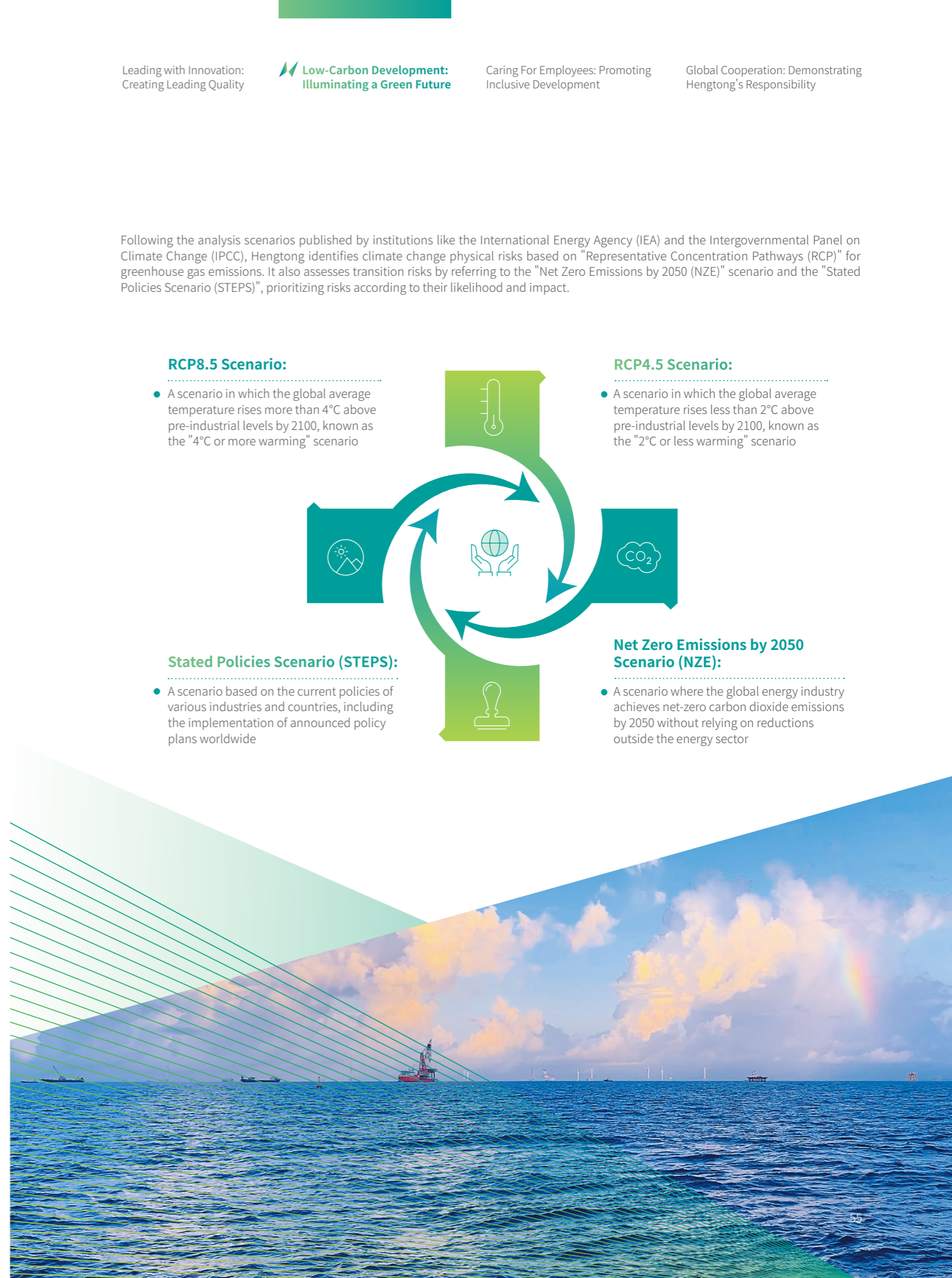
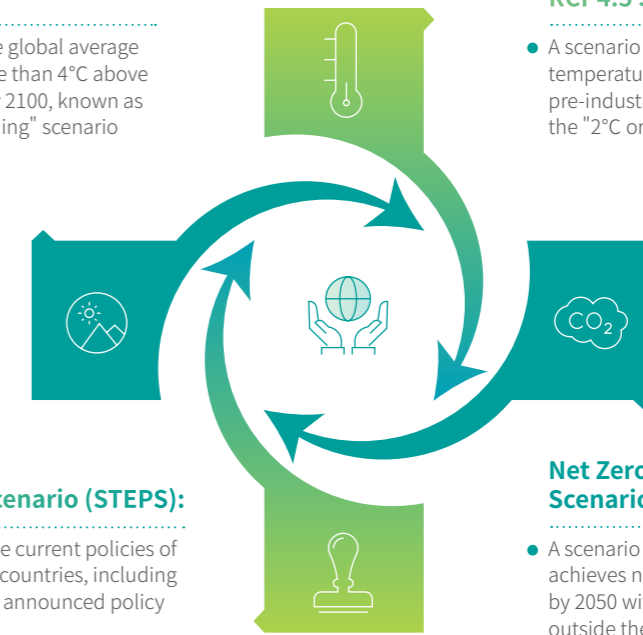
- A scenario in which the global average temperature rises less than 2°C above pre-industrial levels by 2100, known as the "2°C or less warming" scenario

Stated Policies Scenario (STEPS):

- A scenario based on the current policies of various industries and countries, including the implementation of announced policy plans worldwide

Net Zero Emissions by 2050 Scenario (NZE):

- A scenario where the global energy industry achieves net-zero carbon dioxide emissions by 2050 without relying on reductions outside the energy sector



Based on the identification and analysis of climate change risks, it is evident that physical risks are more likely and impactful under high-emission scenarios, while transition risks are more probable and impactful under low-emission scenarios. In response to identified risks, Hengtong has developed specific measures:

Risk Type	Risk Parameters	Risk Description	Strategic Response Measures
Physical risks	Acute Extreme weather events such as typhoons, floods, extreme heat and cold climate	<ul style="list-style-type: none"> Frequent extreme weather events will cause inconvenience to employees' commuting, supply chain transportation obstructions and equipment operation failures, affecting the continuity of production and operations, and thus causing a reduction in revenue Typhoons and extreme cold weather may damage laid cables and other communication equipment 	<ul style="list-style-type: none"> Implement a management duty mechanism, strengthen weather forecast monitoring, issue weather warnings in advance, and open the company's reception dormitory for free use by company employees in a timely manner during extreme weather Develop emergency plans for extreme weather (strong typhoons, heavy rains and floods, freezing rain and snow, etc.) and prepare emergency facilities in advance
	Chronic Impacts of changes in temperature, rainfall and sea level rise	<ul style="list-style-type: none"> Slow changes in temperature and rainfall may lead to the relocation of some potentially affected operating sites, increasing operating costs The slow rise in sea levels may cause submarine optical cables to fail due to pressure changes 	<ul style="list-style-type: none"> Before the flood season and typhoon season arrives, prepare typhoon and flood prevention materials and related preparations in advance according to the company's emergency plan, and conduct sand table rehearsals in advance
Transformation risks	Regulatory Policies Stricter emissions disclosure management and compliance requirements	<ul style="list-style-type: none"> As national carbon emission reduction policies and international carbon emission requirements become increasingly stringent, Hengtong faces increasing disclosure requirements from regulatory and investment institutions for corporate emission reduction targets, measures, and results, which may bring potential risks such as project progress being hindered, high fines and compliance costs 	<ul style="list-style-type: none"> Keep abreast of and comply with the laws and regulations issued by relevant domestic and foreign regulatory agencies, and regularly identify applicable carbon emission-related policies Strengthen internal carbon accounting management and enhance the carbon emission accounting system in the production process
	Technology Low-carbon technology transition	<ul style="list-style-type: none"> In response to climate change, low-carbon materials will gradually replace existing products. Low-energy consumption equipment and more advanced energy-saving technologies and processes will receive wider attention from investors and receive policy support, which may lead to risks such as reduced liquidity of existing assets and increased costs of low-carbon materials and technology transformation 	<ul style="list-style-type: none"> Explore low-carbon materials and technology transformation paths, and introduce efficient and energy-saving technical means or production equipment
	Market Shift in customer preferences	<ul style="list-style-type: none"> Risks such as accelerated deployment of low-carbon transformation progress, resulting in increased budgets, threats from competitors providing low-emission products, resulting in reduced market share, and decreased demand for goods and services 	<ul style="list-style-type: none"> Closely track and investigate changes in customer demand for energy-saving and green products and services, and adjust industrial layout in a timely manner Increase the budget for providing transformational products and services to meet customer needs and actively analyze price fluctuation trends

Risk Type	Risk Parameters	Risk Description	Strategic Response Measures
Transformation risks	Market Rising raw material costs	<ul style="list-style-type: none"> The prices of resources such as energy, water, and equipment will increase with the impact of climate change, which will in turn affect the procurement costs of raw materials and increase supply chain transportation costs 	<ul style="list-style-type: none"> Actively explore energy-saving and consumption-reducing measures in the production process and achieve the recycling of resources as much as possible Reach consensus with partners on low-carbon supply chain transportation to reduce procurement costs
	Reputation Investors increasingly concerned about negative feedback	<ul style="list-style-type: none"> Stakeholders are increasingly concerned about climate change issues. If Hengtong fails to meet investor expectations, it may face divestment and a reduction in the rating of ESG-related indexes in the capital market 	<ul style="list-style-type: none"> Strengthen disclosure requirements related to sustainable development and climate change to ensure compliance Closely follow up on feedback from customers and other stakeholders on climate change

On the other hand, Hengtong actively identifies opportunities related to climate change, enhancing its capacity to respond to these challenges by improving energy efficiency and promoting energy transition. At the same time, Hengtong continues to increase investments in low-carbon and clean technologies to meet customer demand for green products, ultimately driving the green transformation of its operations and the energy structure of society as a whole.

Opportunity Type	Opportunity Description	Impact on Hengtong
Resource Efficiency Energy efficiency	In the context of carbon peak and carbon neutrality, the production and storage technologies for clean energy are maturing rapidly. Increasing investments in distributed photovoltaic and other renewable energy assets can significantly enhance energy efficiency	Hengtong has created a distributed photovoltaic revenue model of "self-generation for self-use and access to the grid for surplus power" by building distributed photovoltaic and other new energy assets, meeting its own energy needs while generating additional revenue
Energy Source Low-emission energy sources	In recent years, China's newly installed renewable energy power generation capacity accounts for about 50% of the world's total, with an annual increase of about 140GW. The grid emission factor has been declining year by year	In order to achieve the dual carbon goals, the domestic energy structure transformation continues to advance, providing a favorable environment for Hengtong Optic-Electric to achieve its own energy transformation and energy conservation and emission reduction
Products and Services Customer demand for green products	In order to achieve climate and environmental goals such as reducing greenhouse gas emissions by 55% and saving 32.5% of energy by 2030 compared to 1990, the European Commission proposed a package of legislative proposals called "Fit for 55". The proposal covers multiple areas such as renewable energy, energy efficiency, construction, land use and carbon emissions trading system, involving 13 specific legislative proposals	The EU's "Fit for 55" legislative package includes construction goals for alternative fuel infrastructure, renewable energy, hydrogen and decarbonized gas markets, providing new market opportunities for Hengtong Optic-Electric in offshore wind power and new energy facilities. Hengtong Optic-Electric will actively invest in the research and development of clean technologies, improve related production capacity and supply capabilities, and provide customers with better quality green products

Risk Management

Hengtong is committed to embedding the climate change risk management process into the company's overall risk management process, and identifying, assessing and responding to major climate change risks through a three-level risk prevention and control mechanism.



Hengtong's Risk Prevention and Control Mechanism for Climate Change



Goals and Targets

To ensure the orderly implementation of Hengtong's climate change strategy and support the national dual carbon goals, Hengtong has actively set carbon reduction targets for each phase. Based on the company's actual situation, it has developed corresponding action plans to manage carbon emissions and established the following key performance indicators (KPIs) to measure the progress of its green and low-carbon manufacturing system:



Implementation Measures

As an industry leader, Hengtong actively responds to the national call for green development by integrating low-carbon principles throughout its operations. To achieve carbon reduction goals, the company follows a scientific tracking and planning pathway, focusing on three key areas: low-carbon design, low-carbon supply chain, and system support. By leveraging an industrial internet platform, Hengtong monitors and automatically collects carbon emission data during production, effectively identifying direct and indirect sources of greenhouse gas emissions and clearly defining emission boundaries. A digital platform is used to manage carbon-related indicators, further enhancing the efficiency and accuracy of carbon management. Based on these plans and preparations, Hengtong promotes the construction of a green and low-carbon manufacturing system through the following measures, setting a new benchmark for the industry's sustainable development:

Technology R&D

Clean Energy Technology

The company actively develops and applies clean energy technologies to reduce energy consumption and achieve an energy transition



Energy-Saving Technology

Hengtong continues to develop and apply energy-saving technologies to enhance the efficiency of production equipment and reduce energy consumption



Low-Carbon Product Design

The company conducts low-carbon design projects, utilizing low-carbon materials and optimizing product designs to reduce the carbon footprint throughout the product lifecycle



Digital and Intelligent Upgrades

Hengtong consistently improves production efficiency, reduces energy consumption, and optimizes resource allocation, driving the company's transformation into a high-end green and low-carbon manufacturing system. The company has deeply implemented the "Intelligent Transformation, Digitalization, and Networking" initiative, applying advanced analytics, machine vision technology, and artificial intelligence throughout the production process. Its subsidiary, Jiangsu Hengtong Fiber Technology Co., Ltd. (Hengtong Fiber), has achieved a 66% improvement in efficiency, a 21% reduction in unit manufacturing costs, and a 33% reduction in unit energy consumption over the past three years through digital transformation.

Digital Factory Construction

- **Smart Manufacturing:** Hengtong is actively advancing smart manufacturing production lines by introducing automation equipment and robotic technologies to automate and optimize the production process, enhancing production efficiency and product quality
- **Production Management Platform:** Hengtong has built a production management platform to monitor the production process in real-time, optimize production plans, and improve operational efficiency
- **Data Analytics Platform:** Hengtong has established a data analytics platform to deeply analyze production data, identify bottlenecks and problems in the production process, and implement improvements and optimizations

Industrial Internet Applications

- **Industrial Internet Platform:** Hengtong uses an industrial internet platform for equipment networking, data collection, and data analysis, providing strong support for production management, equipment maintenance, and energy management
- **Remote Equipment Monitoring:** Using the industrial internet platform, the company monitors equipment remotely, tracks operational status in real-time, and quickly detects and resolves equipment issues to enhance utilization rates
- **Energy Management Platform:** Hengtong has built an energy management platform that allows for real-time monitoring, analysis, and optimization of energy consumption data, effectively reducing energy usage

Artificial Intelligence Applications

- **Intelligent Decision-Making:** Hengtong uses artificial intelligence technology to analyze production data in depth, providing intelligent decision support for production management, equipment maintenance, and energy management
- **Smart Detection:** Hengtong has implemented AI-based detection technology to automatically inspect product quality, improving inspection efficiency and accuracy
- **Smart Logistics:** Hengtong applies artificial intelligence to optimize logistics routes, reducing logistics costs and improving transportation efficiency



Hengtong has adopted new digital management practices for carbon emissions and carbon footprint tracking, leveraging the industry's carbon management platform. In 2023, Hengtong High Voltage, a subsidiary of Hengtong, was awarded the "Five-Star Certificate for Enterprise Carbon Peak and Carbon Neutrality Management Evaluation."



Case Research and Industrialization of Green, Low-Carbon, Pollution-Free Fiber Optic Preforms

Hengtong has innovated the core preparation technology for green optical preforms, altering the traditional synthesis process and eliminating pollution risks during production. This project has been recognized by the Ministry of Industry and Information Technology as a green manufacturing system integration project. The developed manufacturing technology for organic silicon green optical preforms fills a domestic gap, achieving rapid industrialization and fully replacing traditional high-pollution, high-energy consumption techniques.

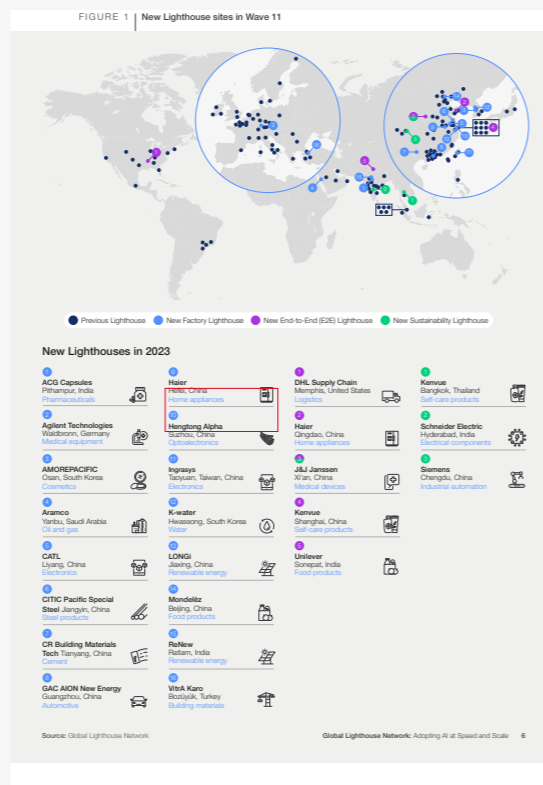
For this research and industrialization project of green, low-carbon, pollution-free fiber optic preforms, Hengtong was awarded the Annual Excellent Case Award at the second "Sustainable Development Officer Summit Forum and Annual Awards Selection" organized by Ernst & Young.

Hengtong is committed to the research and innovation of green, low-carbon products, continuously promoting breakthroughs and applications in green technology, contributing to the sustainable development of the industry, and providing practical solutions for the national "carbon peak and carbon neutrality" strategy.



Case Hengtong Lighthouse Factory: Leading Intelligent Manufacturing and Sustainable Development

The Hengtong Lighthouse Factory project was selected in collaboration with the World Economic Forum and McKinsey, making it the only enterprise in the global optical communications sector to receive this recognition, as well as being the first private enterprise in Jiangsu Province to achieve this honor. Hengtong aims for "high efficiency and unmanned operations" by deepening factory intelligence, lean manufacturing, and management informatization. Based on the industrial internet platform, Hengtong has deployed 27 typical digital use cases and is advancing the application of artificial intelligence and large model technologies. By incorporating machine learning and visual + AI technologies, Hengtong has achieved a 66% increase in factory output, a 21% reduction in unit manufacturing costs, and a 52% decrease in product defect rates. The Hengtong Lighthouse Factory has launched a three-year action plan aimed at creating an intelligent manufacturing model characterized by personalized customization, networked collaboration, flexible production, and visual supervision, leading the enterprise to achieve sustainable high-quality development in the digital economy era.



Case Hengtong's "Net Zero Carbon Factory" Initiative: A Pioneer in Leading Green Transformation

Hengtong has developed a "Net Zero Carbon Factory" plan, committed to achieving green and low-carbon development across all business processes through key technological breakthroughs, equipment upgrades, and digital transformation. The first pilot projects have successfully been implemented, establishing an energy management center that integrates carbon emission management and implements multiple energy-saving technical renovations. These efforts have resulted in annual electricity savings and reductions in carbon dioxide emissions. Additionally, Hengtong has achieved carbon neutrality through the purchase of green certificates and carbon credits. This initiative not only significantly enhances Hengtong's green sustainable development management system but also accumulates valuable experience for horizontal promotion in other factories, making it an important practice in leading the industry's green transformation.



Greenhouse Gas Emissions ¹	Unit	2022 Data	2023 Data
Total Greenhouse Gas Emissions (scope 1 + scope 2)	Tons of carbon dioxide equivalent (tCO ₂ e)	339,189.14	385,822.96
Scope 1 Greenhouse Gas Emissions	Tons of carbon dioxide equivalent (tCO ₂ e)	80,297.40	78,606.87
Scope 2 Greenhouse Gas Emissions ²	Tons of carbon dioxide equivalent (tCO ₂ e)	258,891.74	307,216.08
Greenhouse Gas Emission Intensity	Tons of carbon dioxide equivalent (tCO ₂ e)/RMB100 million in revenue	730.00	810.18

¹ The company's main greenhouse gas emissions come from direct emission sources (scope 1) and indirect energy emission sources (scope 2). The company conducts carbon inventory based on ISO14064-1:2018 "Planning and Guidelines for Quantification and Reporting of Greenhouse Gas Emissions and Removals at the Organizational Level". The greenhouse gas categories mainly include carbon dioxide, methane and nitrous oxide, and the national power grid average emission factor for 2022 in the "Notice on Doing a Good Job in the Management of Greenhouse Gas Emission Reports of Power Generation Enterprises from 2023 to 2025" issued by the Ministry of Ecology and Environment and the emission factors in the "IPCC 2006 National Greenhouse Gas Inventory Guidelines 2019 Revised Edition" issued by the Intergovernmental Panel on Climate Change of the United Nations are used for calculation.

² The electricity emission factor for 2023 is 0.5942tCO₂/MWh, and the electricity emission factor for 2022 is 0.5703tCO₂/MWh.

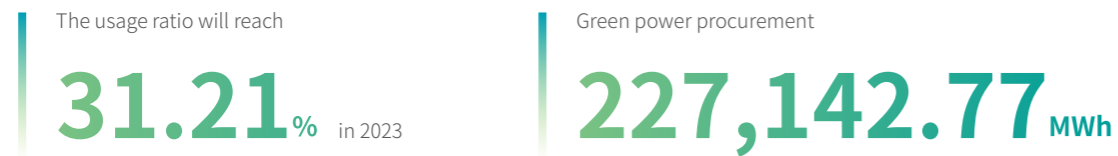
Energy Efficiency Improvement and Transformation

Refined energy management is the only way to achieve energy conservation and emission reduction and low-carbon operation. Hengtong attaches great importance to energy efficiency in production operations, and fully implements energy management-related standards and specifications from top to bottom to establish a complete and effective energy management system.

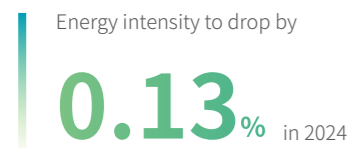
Energy Management System

Hengtong promotes process technology innovation, equipment upgrades and digital management practices by strengthening target setting and process monitoring to implement and check the energy management status of the operation process. During the reporting period, Hengtong has obtained ISO 50001 energy management system certification, covering all the main businesses.

Clean Energy Use Targets



Energy Consumption Target



To date, Hengtong has been selected for the national green manufacturing system integration project, won the first batch of China Energy Efficiency Star Five-Star Enterprise, and the "Global Human Settlement Environment Green Technology (Product) Example" award. Five subsidiary companies have been awarded national green factories, three companies have been awarded green supply chain management companies, three companies have been awarded national industrial product green design demonstration companies, and seven types of products have been awarded national green design products.

Case Digital Energy Management Platform


As electricity is the main type of energy used in factories at present (accounting for 99.7% of the comprehensive energy consumption of factories in 2023), Hengtong has established an energy management platform. By installing sensors on smart meters to automatically collect power consumption data and connecting to the management platform, real-time online monitoring and dynamic optimization management of factory power consumption can be achieved. Based on the power consumption data collected by the energy management platform, the factory can shut down unnecessary equipment in time, reduce equipment standby time, and actively help the factory achieve the "near zero carbon" goal.

Clean Technology and Energy Transition

Based on the green strategic direction, Hengtong actively explores clean technology opportunities, continuously promotes green technology transformation and green base construction, comprehensively arranges green energy development projects such as marine energy and offshore wind power equipment, and provides operation services for comprehensive clean energy projects such as distributed wind power, distributed photovoltaics, and energy storage, creating a modern industrial system with a complete chain, green and efficient.


Self-Built Distributed Photovoltaic

Accelerate the utilization of roof resources in owned industrial parks, factories, office buildings, etc., plan and build a distributed photovoltaic project (Phase I) of 37MW, connect 10.5MW to the grid within the year, and provide 12,600MWh of green electricity throughout the year.




Green Power & Green Certificate Purchase

We will continue to expand the share of green electricity transactions and increase the use of renewable energy. Through direct purchases from the power grid and green electricity and green certificate transactions, we will purchase 236,000 MWh of green electricity from within and outside the country this year.



Case Hengtong's Subsidiary in Brazil

In 2023, Brazil Hengtong actively communicated and negotiated with the free market transmission and distribution company and signed a one-year power purchase contract. It will use 100% clean energy throughout 2023, totaling 1.46 million kWh, reducing carbon emissions by approximately 151.84 tons.



Case The "110kV Meimei II Line Renovation Project" by China Southern Power Grid's Shenzhen Power Supply Bureau.

The 110 kV polypropylene insulated cable provided by Hengtong is the first 110 kV polypropylene insulated cable in China. It has made breakthroughs in key technologies such as three-layer co-extrusion of polypropylene insulation, high-temperature system testing, molded joints, AC and DC testing, and the product process eliminates the degassing step, which simplifies the procedure while shortening the production cycle by more than 50%, and reducing carbon emissions by about 17%. It has unique advantages in electrical properties, heat resistance, chemical stability and cost, and is an emerging low-carbon product in the industry, filling the current shortage of green, low-carbon, environmentally friendly and recyclable power cables in the industry.



Case

Huaneng Shantou Haojiang Offshore Wind Power Transmission Line Pipeline Project 220kV Smooth Aluminum Project

As the first offshore wind power project invested, developed and constructed by Huaneng Group in eastern Guangdong, it faced the technical bottleneck of large transmission capacity and long lines. Hengtong Optic-Electric conducted in-depth research and improvement on product structure, materials and manufacturing process, broke through the laying method, and successfully developed a 3,000mm² 220kV smooth aluminum transmission system. While improving the transmission capacity, it has made its own contribution to offshore wind power transmission, new energy industry and low-carbon economic development.

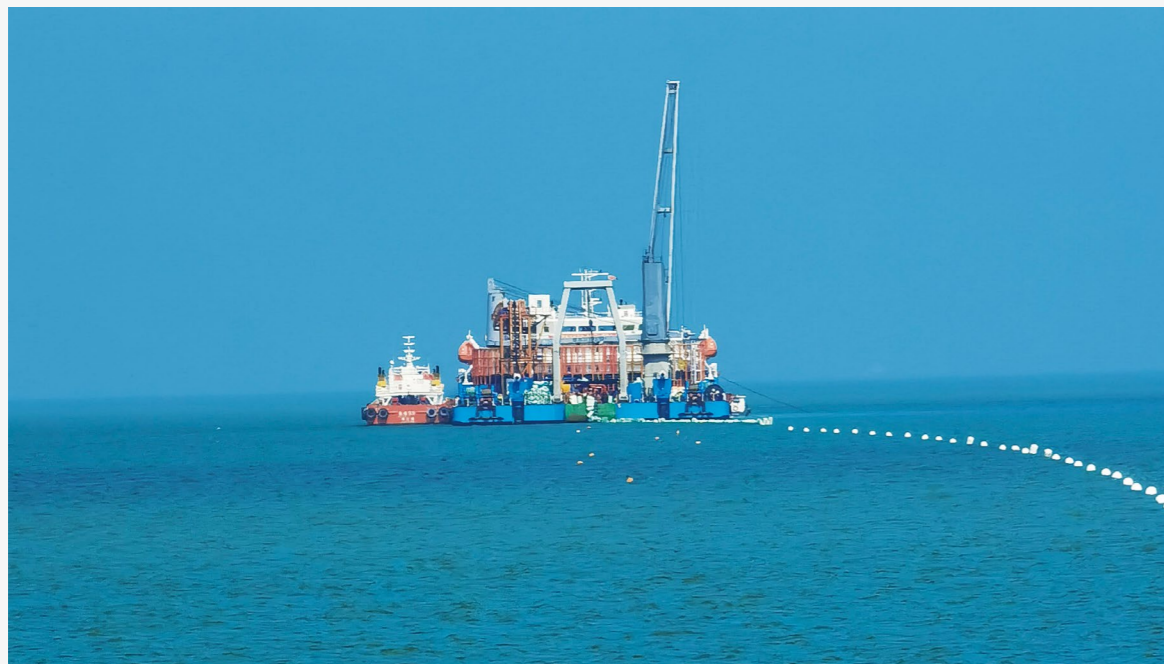


Case

Bozhong-Kenli Oilfield Group Shore Power Application Project

This project is the first phase project with the widest oil field coverage, the largest engineering volume and the largest electricity load among my country's offshore shore power application projects. The main production facilities include offshore platforms and onshore control centers, with a designed transmission capacity of 520 megawatts.

After completion, the project will provide electricity for 39 offshore production platforms including the Kenli Oilfield Group. It is expected to reduce direct carbon emissions by 3.8 million tons and nitrogen oxides by 10,000 tons annually, reduce natural gas consumption by 1.18 billion cubic meters in peak years, and reduce crude oil consumption by 1.91 billion cubic meters. It can greatly improve energy utilization efficiency and reduce offshore greenhouse gas and pollutant gas emissions, which is of great significance to promoting the green development of offshore oil and gas fields and helping China achieve its "carbon peak and carbon neutrality" goals.



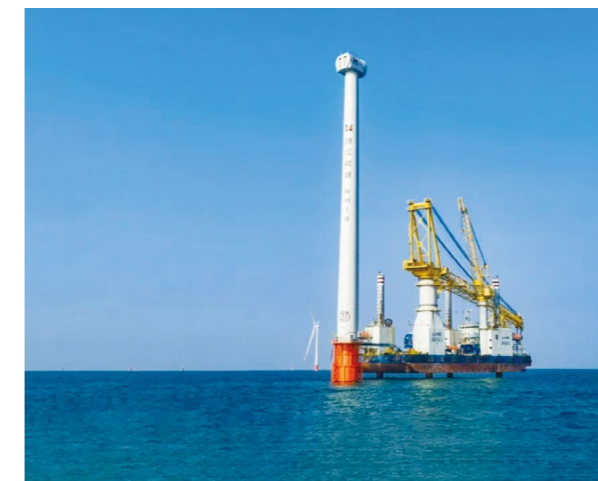
Mexico Cross-Sea Power Project

During the reporting period, Hengtong successfully promoted the Mexican cross-sea power project, which was listed by Mexico as a key infrastructure project to protect the people's livelihood. As a landmark project for the first entry of China's electric submarine cable system into the Mexican market, the project demonstrated the company's leading capabilities in clean technology and energy, and provided Mexico with stable and reliable power support, promoting global sustainable energy development.



Zhanjiang Xuwen Offshore Wind Farm Capacity Expansion Project in Guangdong

During the reporting period, Hengtong provided key support for the capacity expansion project of Xuwen offshore wind farm in Zhanjiang, Guangdong. After the project is fully connected to the grid and put into operation, the annual grid-connected electricity is expected to reach 899 million kWh, equivalent to the basic electricity consumption of 370,000 households in one year. Hengtong Optic-Electric's support helps the project save 272,000 tons of standard coal and reduce 723,300 tons of carbon dioxide emissions each year, significantly promoting the development of green energy and making important contributions to mitigating climate change.



Zheneng Taizhou No. 1 Offshore Wind Power Project

During the reporting period, Hengtong actively supported the Zheneng Taizhou No. 1 Offshore Wind Power Project. Once completed, the project is expected to generate an annual power output equivalent to one-sixth of Linhai City's electricity consumption, significantly boosting the local supply of green energy.

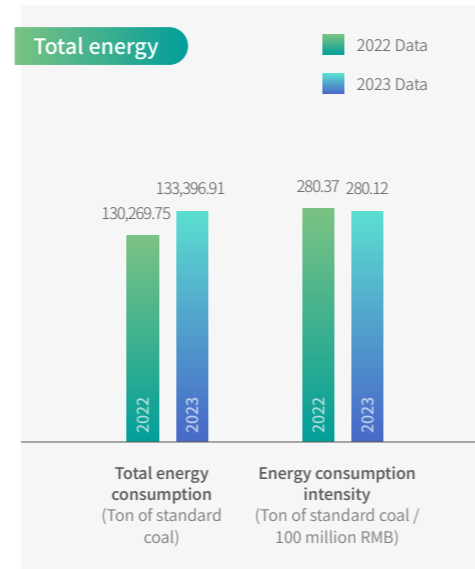
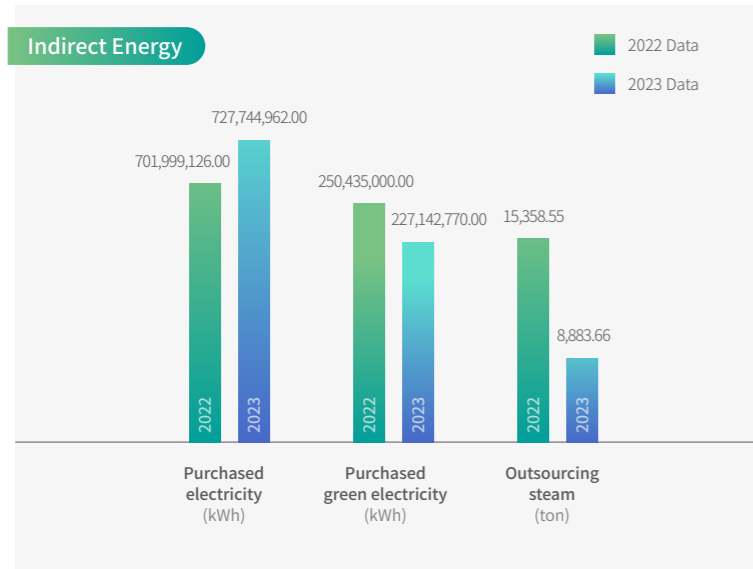
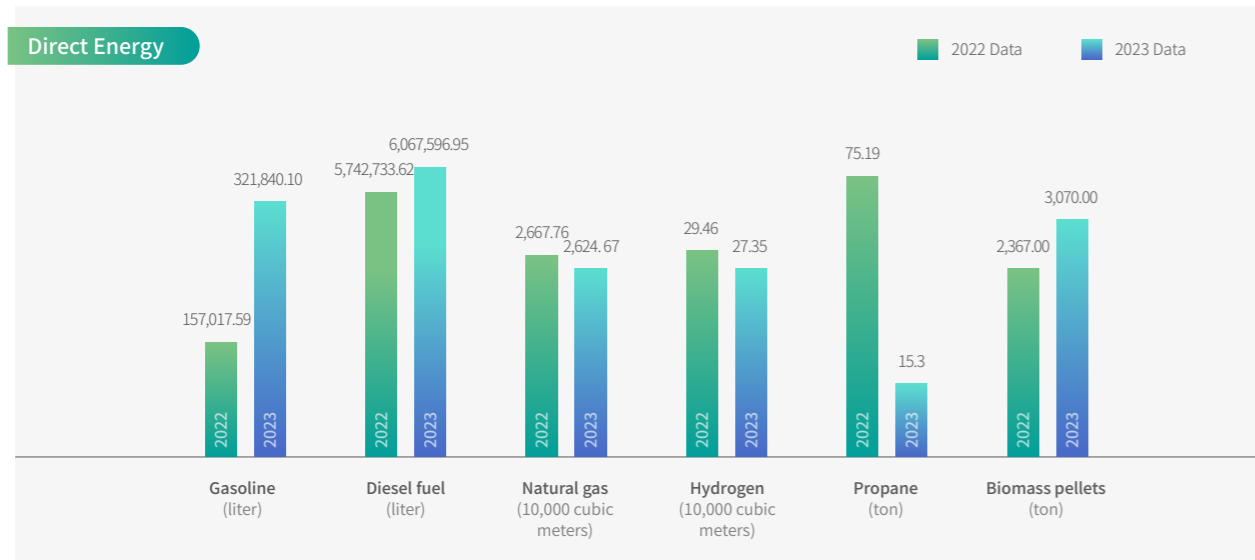
Indonesia Jakarta-Bandung High-Speed Railway Green Power Transmission Project

During the reporting period, Hengtong provided advanced green, high-speed and safe service solutions for the Jakarta-Bandung High-Speed Railway Green Power Transmission Project in Indonesia. The project connects the Indonesian capital of Jakarta and the famous tourist city of Bandung, becoming an important new transportation option between the two places. By providing efficient and environmentally friendly power transmission solutions, the company supports the green operation of the high-speed rail project and improves the sustainability of the overall transportation system, helping to achieve sustainable transportation and energy development goals.

Indonesia Floating Photovoltaic Power Generation Project

During the reporting period, Hengtong actively participated in the Indonesian floating photovoltaic power generation project. After the project is completed, the annual power generation is expected to reach 300,000 megawatt hours, saving 117,000 tons of standard coal in Indonesia and providing sufficient electricity for 50,000 households. This project not only significantly reduced the use of fossil fuels, but also significantly reduced carbon emissions, promoting the green transformation of the regional energy structure.

Energy Consumption³



³ The comprehensive energy consumption is calculated based on the consumption of gasoline, diesel, natural gas, hydrogen, electricity and steam and the discount coefficient in the national standard "General Rules for Calculation of Comprehensive Energy Consumption" (GB/T 2589-2020).

Water-saving Transformation and Optimization

Hengtong strictly abides by the Water Law of the People's Republic of China, the Measures for the Administration of Water Withdrawal Permits and other relevant laws and regulations as well as the requirements of relevant internal water use management systems. It regularly conducts water balance tests and water price monitoring to comprehensively identify water shortage risk points in the short, medium and long term along the entire value chain, so as to implement pre-emptive water risk management measures, improve water use efficiency and avoid water use risks.

During the reporting period, we actively promoted water-saving projects through technological transformation, equipment renewal and process optimization. Inside the factory, we established a centralized water circulation system for the workshop and adopted a centralized cooling mode of cooling towers to effectively increase the recycling rate of water resources. At the same time, we widely equipped water-saving facilities and established a rainwater collection and utilization system to use the collected rainwater for on-site equipment, vehicles and road washing, maximizing the utilization rate of rainwater to achieve efficient use of water resources.

Circulating water used this year

2.508 million tons

Water conservation this year

Water use intensity to drop by 12% by 2024

Case

Hengtong's "World Water Day" water-saving publicity campaign enhances employees' water awareness

During World Water Day, Hengtong organized a series of water conservation campaigns to raise awareness among employees about the correct use of water. Through lectures, distribution of water conservation guides and interactive workshops, the company emphasized the importance of water conservation and taught employees effective water management techniques. This event not only enhanced employees' awareness of water conservation practices, but also promoted a sustainable culture within the company and further promoted the implementation of environmental responsibility. Through these initiatives, Hengtong Optic-Electric actively advocates water conservation awareness and helps achieve sustainable resource utilization and environmental protection goals.



Cablescom, a subsidiary of Hengtong, promotes water-saving activities

Case Hengtong introduces environmentally friendly diluent to optimize mold cleaning and improve water-saving efficiency

During the reporting period, Hengtong introduced lightweight environmentally friendly diluent in the mold cleaning process, replacing traditional organic solvents. This measure not only effectively reduced the generation of mold cleaning waste liquid, but also achieved the reuse of environmentally friendly diluent through secondary precipitation technology, thereby significantly reducing the amount of wastewater treatment. This innovative measure significantly reduced the environmental impact of the production process, improved the efficiency of waste management, and also strengthened the company's sustainable development practices. By optimizing the cleaning process, Hengtong Optic-Electric promoted resource recycling and environmental protection while ensuring production efficiency, demonstrating positive results in environmental responsibility.

Case The intelligent water supply system of Hengtong's Mexican subsidiary improves the recycling of production water and promotes resource conservation

During the reporting period, Hengtong's Mexican subsidiary developed and implemented an intelligent constant pressure circulating water supply system to achieve efficient recycling of production water. The system waterproofs the pipeline trench and designs a 1% slope to connect the end of the trench directly to the pool, ensuring that even if the pipeline leaks, the seepage water can naturally flow back to the pool through the trench. High-temperature production water flows smoothly back to the pool through PVC pipes, and the silt and impurities flowing through the production line are effectively precipitated in the sedimentation tank, and the upper clear water flows back to the clear water tank through the overflow port. This system not only greatly reduces the waste of water resources, but also improves the efficiency of water resource management in the production process, further promoting the company's efforts in environmental protection and sustainable development.



Case Hengtong's Egyptian subsidiary significantly improves water resource utilization through circulating water storage measures

In Egypt, Hengtong faces the challenge of water scarcity and relies mainly on desalination of the Red Sea as a water source. To meet this challenge, the company implemented a recycling water storage measure and significantly improved the efficiency of water resource utilization by adding water storage tanks on the production line. This measure saves about 4,800 tons of water each year and significantly improves the recycling rate of water resources. This innovative practice of Hengtong Egypt not only effectively supports production needs in a resource-constrained environment, but also demonstrates the company's active efforts in promoting water conservation and sustainable development.



Water use	Unit	2022 Data	2023 Data
Total water consumption	10,000 tons	285.18	250.80
Water use intensity	Tons/RMB 100 million	6,137.61	5,401.10

Emission Management and Recycling

Hengtong strictly abides by the relevant laws and regulations of the operating areas such as the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, and the Solid Waste Pollution Prevention and Control Law of the People's Republic of China. On the basis of continuously improving product production technology and management processes, building a harmless treatment and resource utilization system for emissions, reducing the emission of waste gas, wastewater and waste generated in the production and operation process from the source, and strictly controlling all emissions in the company's operation process. In 2023, Hengtong's waste gas and noise emission compliance rate will reach 100%, and the qualified waste disposal rate will reach 100%.

Emission reduction targets for this year

The target for reducing hazardous waste emissions for the whole year of 2023 was

70.4 tons

and the actual reduction was

263.6 tons

exceeding

the emission reduction target

Exhaust Gas Management

Hengtong's waste gas emissions are mainly sulfur oxides generated during the production process of extrusion, lead extrusion, asphalt coating and other processes, as well as during the production and operation of the administrative office area. In addition to strictly complying with domestic and international emission management policies and standards such as the "Law of the People's Republic of China on the Prevention and Control of Air Pollution", we have formulated more stringent waste gas emission standardization requirements and treatment measures.

- Handle exhaust gas through activated carbon adsorption (extrusion, asphalt process), water spray + bag dust removal (lead extrusion process) and other methods
- Monitor exhaust emissions in real time and entrust a qualified third-party testing agency to monitor indicators regularly
- In accordance with relevant requirements, strengthen the management of volatile organic compounds generated during the production process
- Introduce efficient treatment measures and install waste gas collection and disposal devices
- Strictly control the waste gas facility treatment process

Hengtong's waste gas emission treatment measures

Wastewater Management

The main sources of Hengtong's wastewater are domestic sewage and industrial wastewater, and the types of pollutants include COD, SS, total phosphorus, ammonia nitrogen, etc. Hengtong further improves the wastewater management process and related measures on the premise of strictly abiding by the "Water Pollution Prevention and Control Law of the People's Republic of China" and international sewage discharge standards and other relevant domestic and foreign laws and regulations.

- Wastewater treatment system**
Configure sewage treatment system, centrally treat and discharge the wastewater after reaching the standard, and conduct self-monitoring and third-party sampling of water pollutants
- Wastewater treatment facilities**
Set up sump pits, sedimentation tanks, drainage ditches, septic tanks, grease traps and other treatment facilities at the production site, and recycle the treated wastewater after sedimentation treatment and degradation separation measures.
- Domestic sewage treatment**
All discharged into the municipal pipe network for treatment

Hengtong's wastewater management measures

During the reporting period, the average value of our wastewater testing complies with GB8978-1996 and has been incorporated into the pipe network requirements. In addition, Hengtong did not have any non-compliance incidents exceeding the emission limit in 2023.

Waste Management

Hengtong strictly abides by relevant domestic and foreign laws and regulations such as the "Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution", the "Law of the People's Republic of China on the Prevention and Control of Soil Pollution", and the "Environmental Impact Assessment Law of the People's Republic of China", and has formulated the "Waste Control Procedure" to clarify the process specifications for the targeted collection, storage, transportation and treatment of all harmless and hazardous wastes generated.

Non-hazardous Waste

Hengtong Optic-Electric's harmless waste mainly includes packaging materials (optical fiber shells, cardboard boxes, etc.), raw and auxiliary materials (steel and aluminum strips, steel wires, etc.), and other waste generated during the factory production process, as well as office and employee living waste generated during office operations.



Case **Hengtong's Brazilian subsidiary promotes the recycling economy of optical cable waste and innovates recycling solutions**

During the reporting period, Hengtong's Brazilian subsidiary actively responded to the headquarters' ESG global activities and committed to the environmentally friendly treatment of fiber optic cable waste. The company worked closely with waste treatment suppliers to explore and implement innovative waste treatment solutions. Through shredding, discarded optical fiber cables are converted into reusable materials for the construction industry, effectively replacing traditional landfill treatment. This move not only reduces the environmental impact of waste, but also provides sustainable material solutions for the construction industry. This action by Hengtong Brazil reflects the company's active commitment to promoting resource recycling and environmental protection.

Hazardous Waste

Hengtong's hazardous waste sources are mainly waste emulsions, activated carbon and other toxic and hazardous substances generated in the factory and administrative office areas. In strict accordance with the "Pollution Control Standards for Hazardous Waste Storage" (GB18597-2001) and the requirements of the hazardous waste management plan and other systems, the hazardous wastes generated in the course of the operation will be collected and stored in the hazardous waste storage room, and then transferred and disposed of through the "Jiangsu Province Hazardous Waste Life Cycle System", and then regularly entrusted to qualified third-party units for uniform disposal. Third-party units are regularly entrusted to qualified third-party units for unified disposal.

Case

Hengtong implements strict hazardous waste management in Saudi Arabia's Tabuk project to promote environmental compliance

In the large Red Sea submarine cable project in Tabuk Province, Saudi Arabia, Hengtong strictly follows the Construction Environmental and Social Management Plan (CESMP), the environmental requirements of the National Center for Waste Management (NCW) and the Waste Management Plan (WMP), and carefully monitors and manages waste and emissions in the project area. Waste at the project site is collected, transported and disposed of by waste transporters certified by the National Center for Environmental Compliance (NCEC). The company also provides employees with specialized waste treatment and storage training, especially in the treatment of hazardous waste, to ensure that they are regularly inspected and supervised in accordance with the established management plan. The environmental team is responsible for recording waste treatment and incorporating relevant data into the monthly environmental performance report. Through these measures, Hengtong not only ensures the environmental compliance of the project, but also promotes continuous improvement in environmental protection and resource management.

At the same time, we continue to track hazardous waste emission targets. During the reporting period, the total amount of hazardous waste generated decreased by 45% compared to 2022, with significant emission reduction effects.

Emissions	Unit	2022 Data	2023 Data
Exhaust Emissions			
Sulfur oxides	ton	0.05303	0.048
Wastewater Discharge			
Domestic sewage discharge	ton	36,180.72	31,099.93
Hazardous Waste			
Waste emulsion	ton	251.09	287.28
Activated carbon	ton	1.40	8.106
Total amount of hazardous waste generated	ton	586.60	322.98
Non-hazardous Waste			
General solid waste generation (recyclable)	ton	117,586.80	115,016.46
Total amount of packaging materials recycled	ton	70,894.86	77,984.35
Total amount of other waste recycled	ton	46,691.94	37,032.11
Total amount of general solid waste (non-recyclable)	ton	49,939.22	43,946.52
Total amount of general solid waste generated	ton	167,526.02	158,962.98

04

Caring for Employees: Promoting Inclusive Development

Hengtong regards talent strategy as the company's first strategy, always adheres to the people-oriented concept, is committed to creating an open, fair and just working environment, further improves the employee recruitment management system, adheres to the principle of combining talent introduction and talent training, and promotes the common development of the company and its employees.

Talent Attraction and Retention

Employee Compensation and Incentives

Supporting Growth and Development

Promote Communication and Care

Occupational Health and Safety



Talent Attraction and Retention

Hengtong strictly abides by the requirements of laws and regulations such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and the Law of the People's Republic of China on the Protection of Minors, and has formulated rules and regulations such as the Hengtong Recruitment Management Measures to continuously standardize and improve the employee recruitment management process, and adopt campus recruitment, social recruitment, internal recommendations and other forms to widely absorb talents from all over the world.

Prohibition of Child Labor and Forced Labor

Hengtong attaches great importance to the protection of workers' human rights and strictly prohibits all incidents of using child labor and forced labor. We have formulated the "Prohibition of Forced Labor Management and Control Procedures". During the employee recruitment process, we strictly review the age and background of employees, refuse to hire underage employees, and fundamentally eliminate potential violations. If relevant employment violations occur, the company will conduct an in-depth investigation and deal with them seriously as soon as possible. During the reporting period, the company did not have any incidents of employing child labor or forced labor.

Diversity and Inclusion

Hengtong is committed to providing equal employment opportunities for all employees and candidates. It promises that in the process of recruitment, promotion, compensation and benefits, it will not discriminate or treat employees differently due to differences in gender, age, region, ethnicity, family status, marital status, religion, disability, sexual orientation, social origin, etc., and insists on creating a diverse and inclusive work environment. For anti-discrimination and anti-harassment incidents in the workplace, the company has also formulated a complete reporting process. If the incident is verified and confirmed, we will take warnings, penalties or dismissal measures against the employees involved in the relevant incidents according to the nature of the incident. At the same time, we regularly organize training and publicity on diversity-related topics to deepen employees' awareness of diversity so as to achieve mutual

understanding and respect, and jointly build an open, inclusive and good working environment.

In addition, we continue to provide good employment opportunities for vulnerable groups such as the disabled, and ensure that everyone is treated equally based on the principle of equal pay for equal work. During the reporting period, we recruited disabled employees through various channels such as recommendations from the Wujiang District Disabled Persons' Federation and the Qidu Town Civil Affairs Department, website postings, and participation in special job fairs for the disabled. We also provided convenient jobs based on their actual physical conditions and provided complete barrier-free facilities for disabled employees in the office.



Creating a comfortable working environment for disabled employees

Case Cablescom, the Spanish subsidiary of Hengtong, signed the European Diversity Charter (Spain)

The Spanish Diversity Charter (abbreviated as the "Diversity Charter") was jointly initiated by the European Commission and the Spanish Ministry of Equality. Companies that voluntarily sign the "Diversity Charter" must commit to complying with relevant laws and regulations on equality and anti-discrimination and promoting diversity and inclusion in the workplace.

During the reporting period, Hengtong's Cablescom reaffirmed its commitment to the Diversity Charter and therefore adheres to its European principles, which are related to promoting a respectful society, a sustainable economy and a rigorous legal environment, and cover areas such as promoting inclusion, promoting reconciliation or raising awareness of equality.



Unions and Collective Agreements

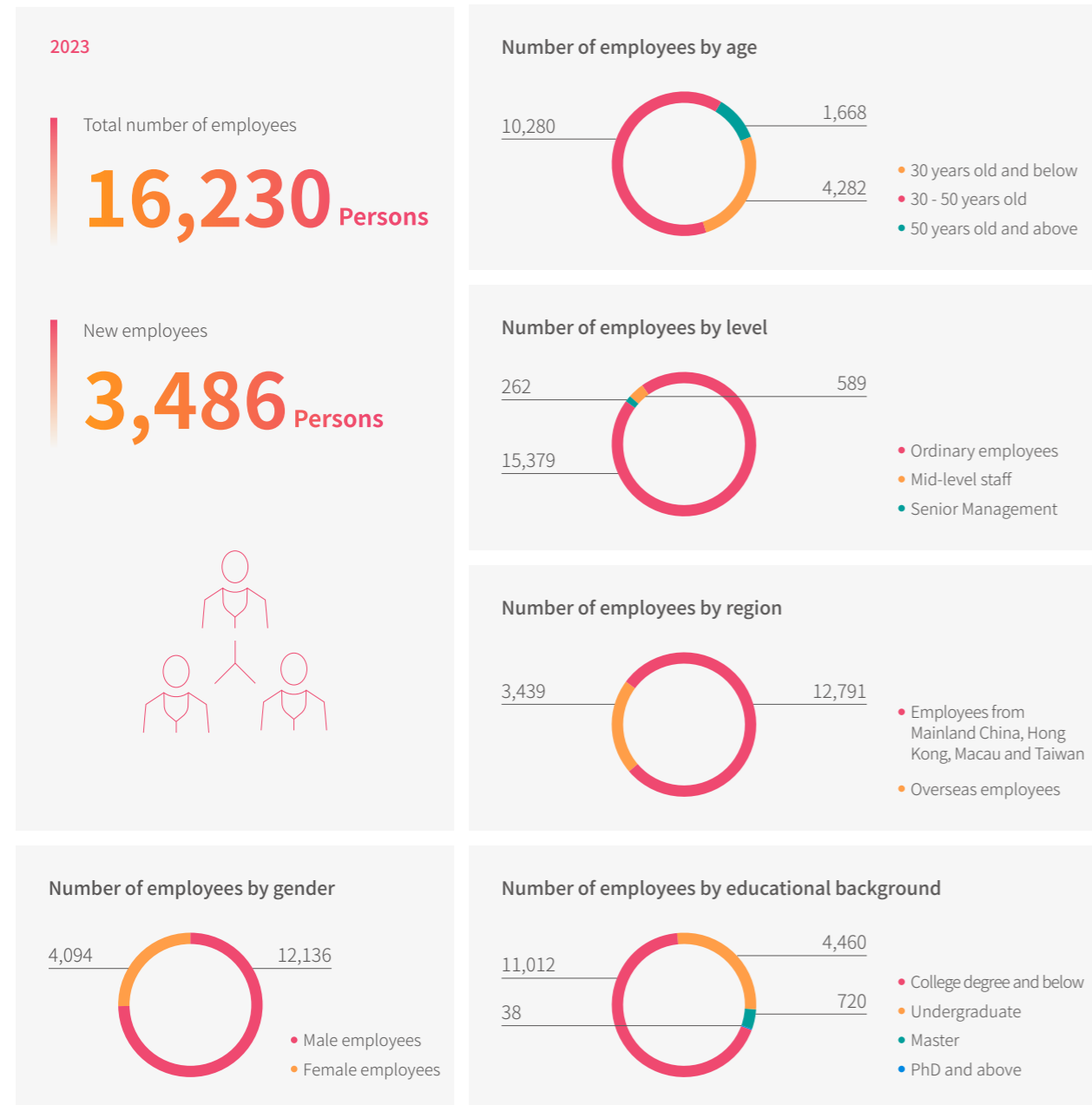
Hengtong pays close attention to the equality of labor-capital relations, actively implements the equal consultation and collective agreement system, and formulates internal management methods such as the "Power Management and Control Procedures for Freedom of Association and Collective Bargaining" in accordance with the requirements of the International Labor Organization. It holds all employee representative meetings on time to effectively protect employees' working environment, working hours, overtime pay, vacation and other rights and interests, and fully respects employees' rights to free association and collective bargaining. During the reporting period, our employee collective agreement signing rate was 100%, and the union coverage rate also reached 100%.

Talent Retention

While introducing outstanding talents, we also attach great importance to the long-term stability of talents, and regard talent retention as a key performance indicator for managers. By continuously optimizing employee salary and welfare mechanisms, constantly improving employee development and training systems, and strengthening employee communication and exchanges, we will further consolidate the company's talent retention capabilities. During the reporting period, the overall employee turnover rate of Hengtong was 16%.

<ul style="list-style-type: none"> Incorporate employee turnover rate into management's performance appraisal indicators 	<ul style="list-style-type: none"> Provide employees with a good incentive mechanism and award bonuses or rewards to key talents with outstanding performance 	<ul style="list-style-type: none"> Provide employees with career development support such as career development planning, mentor guidance and regular feedback
<ul style="list-style-type: none"> Regularly conduct salary competitiveness assessments to ensure that salaries and benefits are competitive in the market 	<ul style="list-style-type: none"> Implement flexible working hours, employees can choose to work remotely, work flexible hours, etc. according to their needs 	<ul style="list-style-type: none"> Conduct interviews with former employees to understand the main reasons for their resignation and collect measures for further improvement

Employee retention measures at Hengtong Egypt



Index		Unit	2023
Employee turnover rate	Total churn rate	%	16
	Employee turnover by gender		
	Male	%	12.60
	Female	%	3.40
Employee turnover by age	Less than 30 years old	%	6.50
	30-40 years old	%	6.35
	Over 40 years old	%	3.15

Employee Compensation and Incentives

Hengtong regards talents as the core competitiveness of the company. We continue to improve the compensation and welfare mechanism, through good pay and welfare protection, fully mobilize the staff's work enthusiasm and motivation, to achieve the development of the company and the staff to create a win-win situation.

Employee Compensation

We are committed to improving the external competitiveness of employee remuneration, following the basic principle of "equal pay for equal work, distribution according to work", guided by employee performance and business capabilities, and establishing a fair, scientific and reasonable remuneration management mechanism based on the nature of employees' positions. At the same time, we also incorporate relevant performance indicators such as environmental management performance, health and safety into the remuneration assessment system of management, closely combining the company's sustainable development with the interests of management personnel.

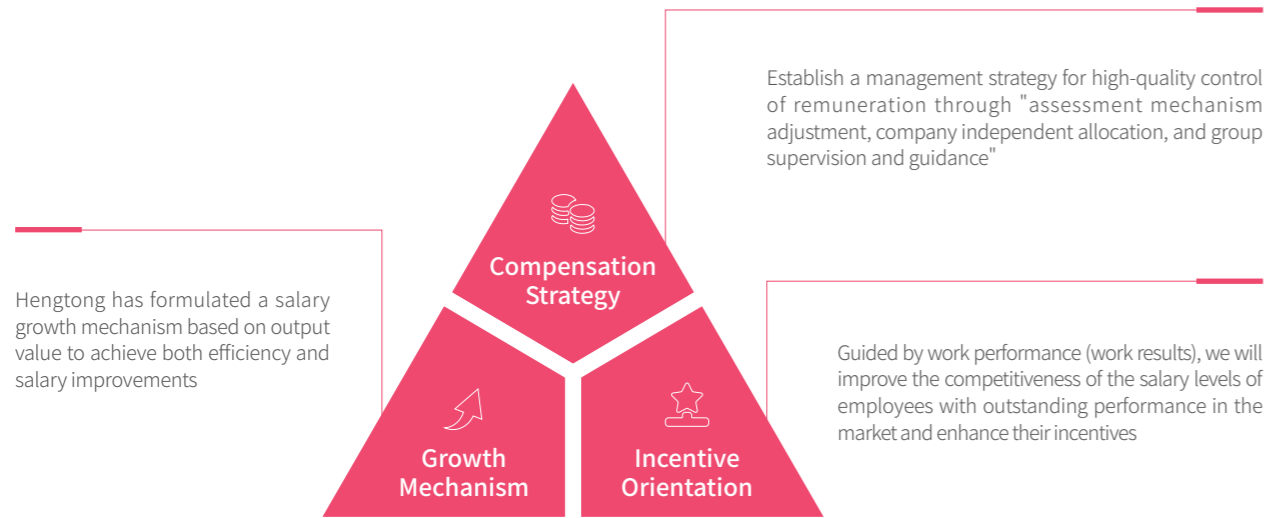
At the same time, Hengtong refers to the statutory minimum wage and living wage standards of each operating location⁴ to ensure that all employees (including part-time employees) receive at least the living wage standard. In addition, we regularly monitor and evaluate employee pay differences, including whether equal pay for equal work, whether there is no difference in pay between male and female employees, etc., to ensure that male and female employees with the same position, work performance and experience can receive equal pay.

Management and technical positions	Marketing Positions	Operation Positions	Logistics and Administrative Positions
<ul style="list-style-type: none"> Implement rank management, assess employee ranks based on job qualifications, and determine job coefficients based on ranks Determine salary standards based on employee capabilities and performance 	<ul style="list-style-type: none"> The monthly salary is based on the job grade, and the business settlement salary is added to improve the security of the salary Determine the total annual revenue based on the completion of performance evaluation indicators such as sales volume and market development, and provide key rewards to sales personnel who significantly exceed their targets to ensure that performance and revenue grow simultaneously 	<ul style="list-style-type: none"> Assess employees' skill levels and job levels based on their skills Implement piece-rate and time-based salary models, and determine employee salary levels based on local market conditions 	<ul style="list-style-type: none"> The salary standards are determined according to the local market average, and through the implementation of job grade management and qualification assessment, it is ensured that the salary level matches the ability and performance

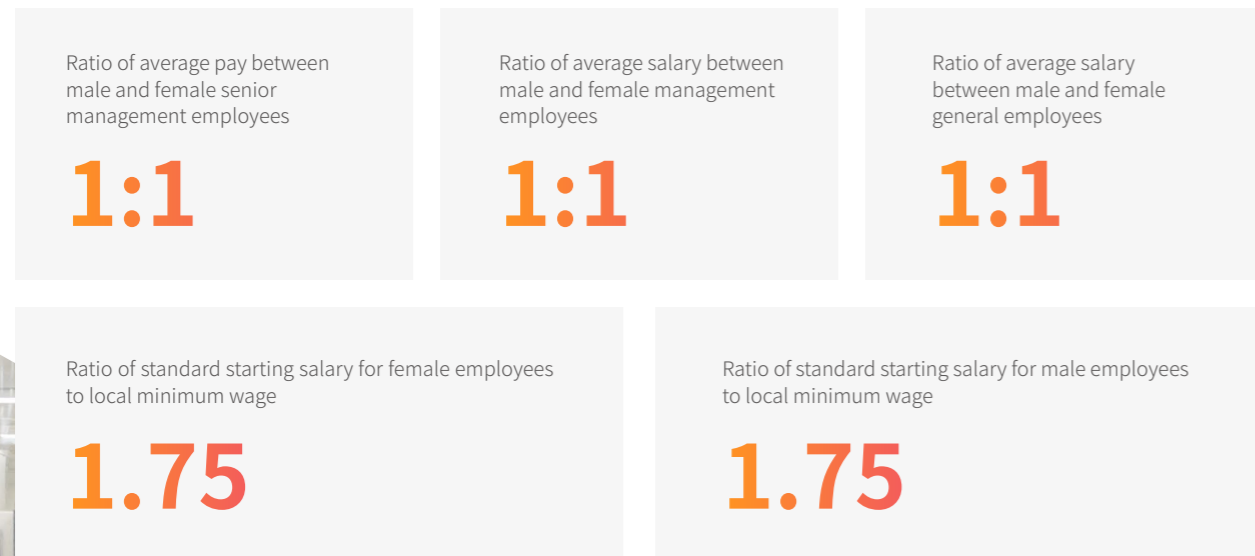
Hengtong's Rank-Based Salary Model

⁴ Living wage: A minimum wage for a minimum number of working hours that ensures the basic needs of employees and their families are met.; A living wage includes base pay but excludes bonuses and overtime pay.

Hengtong Employee Salary Growth Mechanism

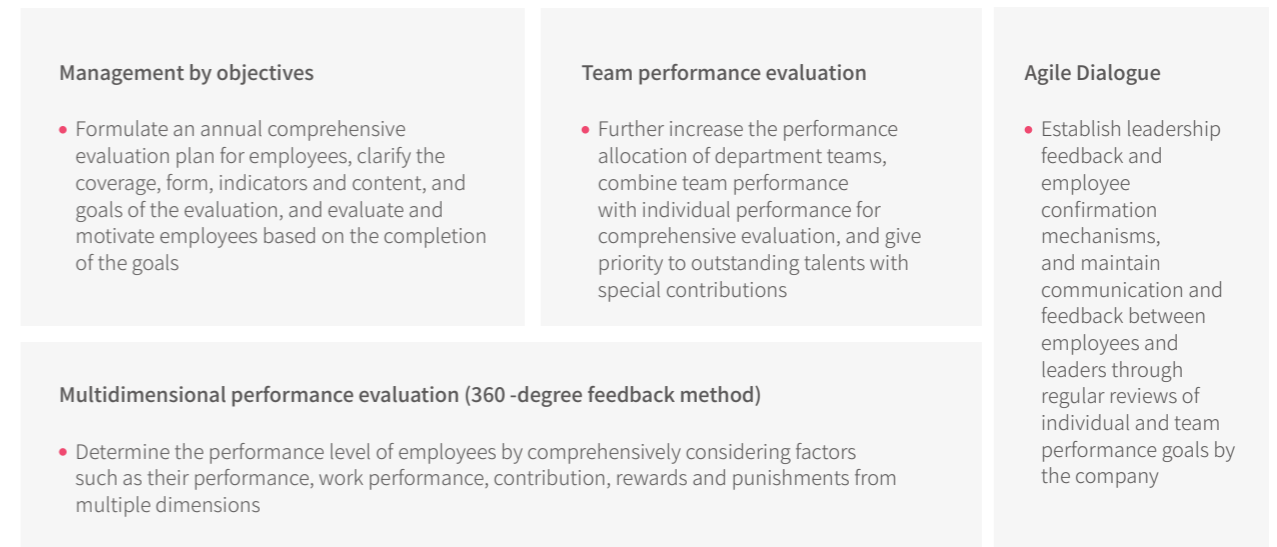


2023



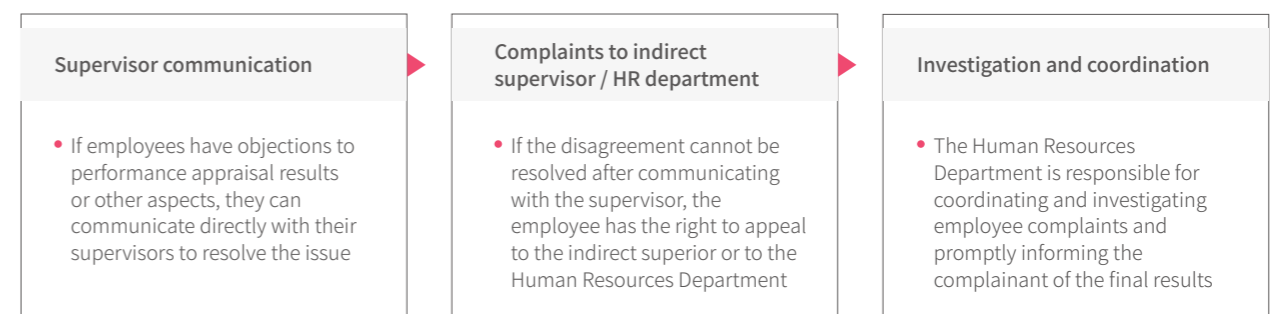
Employee Motivation

The company continues to improve its employee performance management and assessment system. Every quarter, it conducts a comprehensive evaluation of employees' work and performance based on dimensions such as learning ability, leadership, execution, knowledge and experience, and issues annual evaluation results at the end of the year to ensure the fairness, objectivity and rationality of performance evaluation.



Hengtong's Performance Evaluation Type

For performance appraisal results, we help employees review their past performance and provide feedback and suggestions through timely communication and interviews with employees. If employees disagree with the performance evaluation results, they can appeal and provide feedback according to the appeal process to ensure that the performance evaluation is fair and objective. During the reporting period, our regular performance and career development appraisals covered all employees.



Hengtong's Employee Performance Complaint Process

On the other hand, Hengtong has formulated and actively implemented an employee stock ownership plan, covering a total of 246 directors, senior managers, core technical personnel and technical business backbones of the company. In order to further stimulate the potential of core backbone employees, we have set performance evaluation requirements and long-term service requirements at the company and individual levels for the stock ownership plan by formulating binding performance evaluation targets and multi-batch phased unlocking mechanisms.

Supporting Growth and Development

We value the growth and development of every employee, provide employees with comprehensive and diversified career development paths, establish a smooth and sound employee promotion channel, and continuously improve employees' professional skills and knowledge levels through multi-dimensional and targeted training resources, promoting talent growth in multiple dimensions.

Diverse learning methods

An online learning platform covering more than 16,000 employees at home and abroad, and launch more than 100 new courses; frequently hold offline classes, with company executives serving as resident lecturers

Precise training program

Through Hengtong Management College and Hengtong Craftsman College, we have achieved the goal of developing both management and professional talents, established a team of more than 800 certified lecturers, built a training system of more than 1,500 courses, integrated internal and external learning resources, and created high-quality training programs such as "executive lectures, high-level training, high-standard study tours, and advanced seminars."

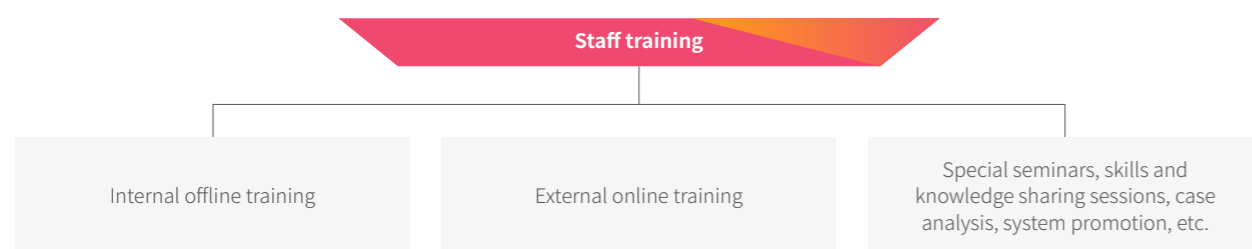
Talent echelon construction in colleges and universities

A "triangle" training model of mentors, supervisors, and HR coaches, and set up reserve talent training projects for starting, escorting, leading, and sailing. We have guided the construction of reserve echelons for key management positions and professional and technical positions in each company, and helped employees develop their abilities throughout their careers. Every year, more than 50 employees move from professional and technical positions to management positions

Hengtong's Talent Training Mechanism

Staff Training

Hengtong attaches great importance to the professional quality and professional ability improvement of employees, and has formulated relevant management systems such as the "Hengtong's Training Management Measures", continuously improving the employee training management system, and providing a wealth of online and offline training courses for all employees. During the reporting period, we successfully completed the annual employee training goal of more than 36 hours per person.



Hengtong's Employee Training Channels

In addition, Hengtong actively encourage employees to pursue further academic studies and training and certification, and provide employees with additional external training and related expense reimbursement support to help employees improve their academic qualifications and obtain relevant professional certificates.

University Cooperation

- Cooperate with Shanghai Jiaotong University to organize the company's general managers to participate in the senior business administration president and executive training class
- With Zhejiang University to organize a reserve team of senior executives to participate in the advanced training course of business administration

Educational advancement

- Cooperate with Wuxi Polytechnic and other colleges and universities to carry out college education improvement projects for front-line employees

External Training

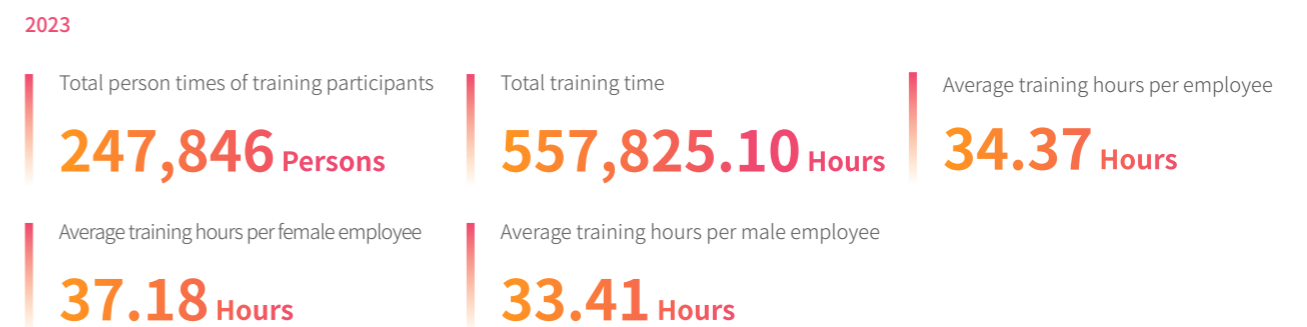
- The company encourages relevant skilled personnel to participate in external training and certification (welder certificate, electrician certificate, PMP, project manager, etc.). After obtaining the certificate, the employee can reimburse the training expenses in the company's reimbursement system with the signed and approved external training application form and payment records

Training and academic advancement rewards

- Cablescom, a subsidiary of Hengtong Optic-Electric provides training scholarships to all full-time employees and their children
- Providing tuition reimbursement or vacation support to employees who obtain qualifications relevant to their field of work

Support for External Training and Academic Upgrading of Hengtong Staff

During the reporting period, the situation of Hengtong's employee training is as follows:



Employee Promotion

Hengtong has established a mature and complete employee promotion mechanism, and set up a dual-channel career development path in the management direction and professional and technical direction, so that every employee has the opportunity to exert their personal potential. At the same time, we have also formulated a complete internal cross-position mechanism. According to the "Hengtong's Rotation Management Measures", it is clear that employees in different positions and at different levels can obtain internal rotation opportunities in the company, helping employees to obtain comprehensive learning and practice to become compound talents.

Promoting Communication and Care

Hengtong always listens to employees sincerely, builds diversified employee communication and feedback channels, and fully meets employee needs through practical actions by providing rich employee care benefits.

Employee Communication

Hengtong has established a sound and effective employee communication and consultation mechanism to further optimize employee communication channels and rational suggestion channels. In addition to the regular company email and hotline, it also actively carries out activities such as micro-innovation, rational suggestions, and golden idea proposals for all employees, and thoroughly implements communication methods such as "leadership interviews", "democratic seminars", and "through trains" to provide employees with timely feedback and responses.

Interview Mechanism

- Leaders of each department conduct interviews with employees, maintain regular communication with department employees, and promptly understand employees' work and life situations as well as their difficulties and needs, and provide them with humanistic care.
- The Human Resources Department holds a symposium for campus recruited college students every quarter to understand their work and living conditions, collect reasonable suggestions and questions from employees, and promptly feedback to the relevant departments for rectification

Through train mechanism

- Establish a direct-line mechanism for rationalization suggestions for all employees
- Suggestions involving the company's internal processes will be initially reviewed by the administrative department and forwarded to relevant departments for acceptance and follow-up implementation according to the type of suggestion
- Suggestions involving the company's external processes will be initially reviewed by the Organization Performance Department and forwarded to relevant departments for acceptance and implementation according to the type of suggestion

Workers' Congress

- Hold employee representative meetings every year to actively listen to and review work reports, commend outstanding employees, and track, rectify, and publicize employee proposals
- Publicize and explain the latest systems related to employees' vital interests and matters of general concern to employees, promptly rectify reasonable suggestions made by employees and publicize the rectification results

Hengtong's Employee Communication Mechanism

Employee Care

We ensure the welfare of our employees and provide them with pension, medical, unemployment, work injury, maternity insurance and housing provident fund in accordance with the law. In addition, we provide a variety of additional benefits and care to all employees on the basis of meeting the statutory requirements of the country and the region.

Statutory Benefits	<ul style="list-style-type: none"> Five social insurances and one housing fund, nursing leave, annual leave and other statutory holidays
Additional Benefits	<ul style="list-style-type: none"> In addition to basic salary, we provide a variety of variable remuneration such as bonuses and performance rewards Holiday and birthday gifts, high temperature allowance, apartment accommodation, meal allowance, reimbursement of round-trip transportation expenses during the Spring Festival Free health check-up, sports facilities and equipment Flexible working hours Paternity leave (covers all employees)

We advocate a working atmosphere of "happy work, happy life", and focus on creating and building ten cultural clubs, including the Dance Club, Singing Club, Workshop, Micro-Photography, Painting and Calligraphy Club, Poetry Club, Storytelling Club, Magic Hands, Warm e-Home, and Cultivation Club. We actively carry out various cultural activities, festival activities and team-building activities to enrich the lives of employees, expand the communication platform, and enhance team cohesion.



College Student Orientation and Outreach



Reading Month Activities



Staff Table Tennis Competition



Dragon Boat Festival Activities



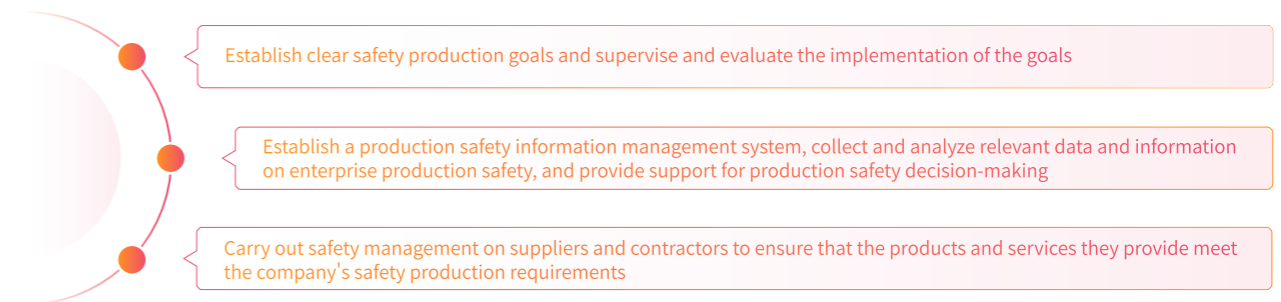
Mother's Day Themed Activities

Occupational Health and Safety

Hengtong always puts the health and safety of its employees first, strictly abides by the "Work Safety Law of the People's Republic of China", "Occupational Disease Prevention Law of the People's Republic of China" and the laws, regulations and regulatory requirements on occupational health in the place of operation, and has formulated a sound and complete occupational health and safety management system, committed to creating a healthy, safe and comfortable working environment. During the reporting period, a total of 6 subsidiaries passed the ISO 45001 occupational health and safety certification.

Safety Management

Hengtong has established a complete safety production management mechanism, with the board of directors as the highest responsible body for the company's safety management-related matters. It determines the safety production responsibilities and authorities of each relevant personnel, establishes a corresponding responsibility system, and implements safety management measures in all aspects from process management, target management, information management, and supplier and contractor management.



Hengtong's Production Safety Management Mechanism

-  Equipped with earplugs, masks, protective glasses, high temperature protective clothing and other safety devices
-  Post warning signs and install protective nets on high-temperature production equipment
-  All high-speed running devices are equipped with infrared alarm systems. In case of emergency, the production line will stop running immediately

Hengtong regularly conduct occupational health and safety risk assessments for employees during operations, including special safety inspections, hidden danger investigation and rectification, emergency plan review and revision, etc. We conduct preventive analysis of potential safety hazards in advance, timely discover and eliminate safety hazards, formulate emergency rescue plans, establish emergency rescue teams, and conduct regular emergency drills. We ensure that all staff are equipped with complete safety protection equipment, and set up safety warning signs around places with potential safety hazards to minimize safety risks in production workplaces and effectively improve the company's overall risk prevention and control capabilities.

Hengtong's production safety measures

Case Cablescom, a subsidiary of Hengtong, held a Family Day event

During the reporting period, Hengtong's Cablescom organized employees and their families to participate in amusement park activities, and prepared a variety of surprises and gifts for employees' children on the day of the event, creating a friendly and happy atmosphere, providing employees with more time to spend with their families, and helping employees balance work and life.



Cablescom Family Day Event

Case Cablescom, a subsidiary of Hengtong, held the #Women in digital event


Together with the Women and Equality Section of the Zaragoza City Council, Hengtong's Cablescom, in partnership with the IDiA cluster, participated in the #MujeresenDigital cycle, where, through round tables and conferences, women's experiences in the digital world, innovation proposals and the keys to female entrepreneurship in this sector were presented.




Quarterly or half-yearly	Every year	Every three years
Conduct occupational health and safety risk inventory	Hire a third-party agency to conduct safety monitoring of noise, temperature, lighting, etc.	Conduct an occupational safety assessment report

Hengtong's Occupational Health and Safety Risk Assessment Frequency


We also require suppliers to provide a safe and healthy working environment for all employees at the same standards as Hengtong, and to take effective measures to prevent potential health and safety accidents and occupational injuries, or diseases that occur or are caused during work.




Suppliers should have a dedicated organization, led by a company-level leader and with at least one worker representative, to evaluate and control factors that may cause harm, such as "three wastes" and chemicals, special equipment, and production equipment, and develop appropriate procedural documents and prevention plans to reduce risks and improve the working environment



Suppliers should provide regular and formal safety training to employees, and corrective and preventive measures should be compiled and properly kept



Suppliers should provide appropriate personal protective equipment to employees free of charge, have emergency plans in place, and provide emergency first aid and assist workers in obtaining follow-up medical treatment if work injuries occur



Suppliers should provide all employees with free clean toilet facilities, drinking water, and suitable dining and resting spaces. Regardless of the nature of the dormitory, suppliers should ensure that any dormitory facilities provided to employees are clean, safe, and meet the basic needs of employees

Hengtong's Supplier Health and Safety Standards

Safety Training

In order to further deepen employees' safety awareness and emergency incident handling capabilities, we formulate an annual safety training plan at the beginning of each year, carry out safety-related activities and safety knowledge training and education such as "Safe Production Month" and "Safety Consultation Day" for all employees, enhance employees' safety awareness and safe operation skills, and create a good atmosphere of "everyone pays attention to safety."



Hengtong's 2023 Safety Training and Emergency Drills

During the Reporting Period

618

safety drills and trainings for all employees through a combination of online and offline methods

Index	Unit	2022	2023
Work-related fatalities	People	0	0
Number of safety emergency drills	Second-rate	392	407
Number of safety training sessions	Second-rate	182	211
Total safety training hours	Hour	364	422

05

Global Cooperation: Demonstrates Hengtong's Responsibility

As a global leading provider of optical communication and power technology solutions, Hengtong has always taken serving global sustainable development as its mission. Hengtong is committed to promoting wider access to power and communication networks around the world through advanced technology and high-quality products. Hengtong's goal is not only to help more people around the world enjoy the convenience brought by modern technology, but also to promote the exchange and development of the concept and practice of global sustainable development. Hengtong actively responds to national policies, and supports sustainable development efforts in China and overseas markets.

Global Action to Promote Sustainable Development

**Empowering Developing Countries: Innovation and Responsibility
Go Hand in Hand**

**Supporting Developed Countries: Promoting Green Transformation
and Social Responsibility**

**Deepening Sustainable Development: Hengtong's Ecological and
Social Responsibility Practices in the Chinese Market**

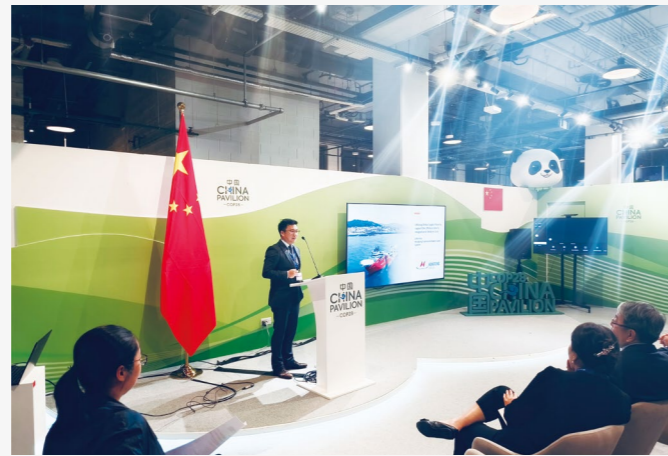


Global Action to Promote Sustainable Development

Hengtong actively practices the concept of global sustainable development and is committed to addressing the challenges of global climate change and energy transformation through cross-border cooperation and technology output. Hengtong works closely with governments, enterprises and international organizations to promote the realization of sustainable development goals. On multiple international platforms, Hengtong has demonstrated its innovative practices in low-carbon transformation, green energy and supply chain optimization, reflecting its responsibility and contribution as a Chinese company in the global sustainable development process. In addition, the company has also actively invested in public welfare undertakings, donating 8.3583 million yuan to external parties during the year to support the sustainable development of society and the environment with practical actions.

Case Actively participate in COP28 to promote global energy transformation and offshore wind power grid connection

During the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28), Hengtong delivered a speech entitled "Improving the Global Supply Chain System and Promoting Offshore Wind Power Grid Connection" at the "China Corner" side event. The speech explored the opportunities and challenges of energy transformation and called for global cooperation to optimize the supply chain system and promote efficient offshore wind power grid connection. Hengtong also participated in the main venue and multilateral meetings in more than a dozen countries, and had in-depth exchanges with global policymakers and industry experts to promote climate action and energy transformation, demonstrating its positive contribution and leadership in global sustainable development.



Case Showcasing Low-carbon Transformation Achievements at the Shanghai International Carbon Expo and Promoting Sustainable Development

During the first Shanghai International Carbon Neutrality Expo, Hengtong actively participated in a number of roundtable forums and had in-depth exchanges with leading industry organizations. The company shared its valuable experience in setting internal sustainable development goals through science-based targets (SBTi) and discussed the importance of improving the quality of climate information disclosure. Hengtong demonstrated its innovative achievements in low-carbon transformation and further consolidated its leadership in sustainable development. These participations and demonstrations demonstrate the company's firm commitment to addressing climate change and promoting green transformation, and promote environmental protection cooperation and progress within the industry.



Case SBTi Initiative at the CIIE and Demonstration of Hengtong's Commitment to Carbon Neutrality

During the 6th China International Import Expo, Hengtong Submarine Power Cable Co., Ltd., a subsidiary of Hengtong, obtained the ISO 14064 Greenhouse Gas Verification Statement Certificate and ISO 14067 Product Carbon Footprint Verification Statement issued by international certification bodies, and officially announced its joining the SBTi Science-Based Target Initiative, demonstrating its firm commitment to carbon neutrality and low-carbon sustainable development.



Empowering Developing Countries: Innovation and Responsibility Go Hand in Hand

Hengtong is committed to promoting the construction and upgrading of power and communication infrastructure in developing countries, narrowing the digital divide and improving the quality of life and sustainable development level of local communities through innovative technologies and active social responsibility practices. Hengtong actively promotes the popularization of clean energy and smart grids in Africa, Asia, Latin America and other regions, and provides efficient and reliable power and communication solutions. In addition, Hengtong has demonstrated its corporate social responsibility and firm commitment to global sustainable development through a series of public welfare activities and community construction projects, contributing to the common progress of local social economy.

While promoting the popularization of electricity and communications, Hengtong actively integrates community social responsibility into its corporate vision and goals. The company not only focuses on the construction of technology and infrastructure, but also supports the development of the community in various ways. It also actively participates in environmental protection and sustainable development projects, and is committed to improving the ecological environment of the community. Through these efforts, the company aims to achieve the dual goals of technology empowerment and community co-development, and contribute to the grand vision of global sustainable development.

Case Innovation drives sustainable development and wins the "Most Creative" award

At the 23rd Africa Energy Exhibition in South Africa, the company won the "MOST CREATIVE SWAG" award for its high-voltage cables, OPGW, submarine cables, photovoltaic cables, wind power cables, smart grids and energy storage projects and other products and comprehensive system solutions. This award not only highlights the company's outstanding performance in the field of green technology and innovation, but also reflects the company's positive contribution to promoting the popularization of clean energy and the development of smart grids. Through technological innovation, the company continues to fulfill its environmental protection and social responsibilities and contribute to the sustainable development of Africa and the world.



Case Promoting the development of clean energy and winning the Power Cable Technology Award

The company participated in the ASEAN WIND ENERGY 2023 and won the 2023 Power Cable Technology Award from the organizer. The award recognizes the company's outstanding contributions to power cable technology innovation and wind energy. The company focuses on the research and development of efficient and reliable power cable solutions and is committed to promoting the construction and upgrading of clean energy infrastructure. By continuously improving product performance and technical level, the company not only provides strong support for the widespread application of renewable energy, but also demonstrates a firm commitment to social sustainable development. In the future, the company will continue to deepen technological innovation, actively participate in the global clean energy industry, and jointly respond to the challenges of climate change.



Case MBG, a subsidiary of Hengtong, practices social responsibility and contributes to community welfare

- ▶ Partner with the local Red Cross to organize blood drives to support public health programs and foster care for others
- ▶ Donate dairy cows to the community government during local traditional festivals to support community charity activities



- ▶ Donate funds and items to local orphanages to fulfill social responsibilities through practical actions



Case

Voksel, a subsidiary of Hengtong, actively integrates into the community and builds a harmonious society

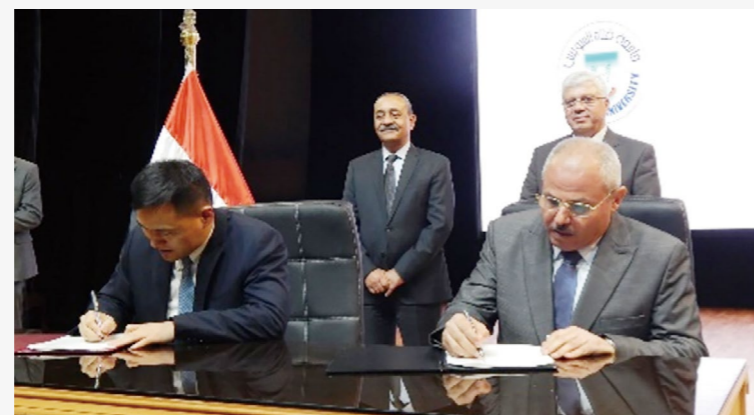
Voksel has always been committed to promoting sustainable development in the local community. In April 2023, on the occasion of the company's 52nd anniversary, Voksel presented a gift to the residents of the nearby community to strengthen its ties with the community. At the same time, Voksel employees actively participated in volunteer services to support community development. The company also provided assistance in many aspects, including supporting local religious sites and improving sanitary conditions, demonstrating the company's firm commitment and social responsibility in promoting community well-being.



Case

Join hands with Suez Canal University to help graduates find employment

The Egyptian company of Hengtong signed a cooperation agreement with Suez Canal University to jointly improve the employability and career development of local graduates. By providing internship opportunities, professional training and career guidance, the company actively lays a solid foundation for the careers of young talents. This cooperation not only helps graduates integrate into the workplace smoothly, but also reflects the company's firm commitment to promoting the development of education and fulfilling corporate social responsibility.



Case

Hengtong wins Morocco's "Mutual Assistance" Award, highlighting corporate social responsibility

At 23:11 local time on September 8, 2023 (6:11 Beijing time on September 9), a magnitude 7.0 earthquake occurred in Morocco. Local buildings were severely damaged, and electricity and communications were interrupted due to the disaster. The company donated and provided necessary support through the Moroccan Electricity Association FENELEC.

At the opening ceremony of the ELEC EXPO held in Casablanca, FENELEC, the Moroccan Electricity Association, awarded Hengtong the "Helping Each Other" trophy, commending Hengtong for its immediate donation to the Moroccan earthquake and its timely support to the disaster-stricken areas.



Letter of Appreciation from the Moroccan Electricity Association



Case

Aberdare, a subsidiary of Hengtong, is committed to community care and child assistance, fulfilling its social responsibility

In 1998, Aberdare and the South African Association for the Disabled jointly established a joint venture, Abercare, to recruit physically disabled people from all walks of life in the local community to provide paid work and to hold social events on important holidays such as Christmas.

The Sinethemba Project is a public welfare project that provides a safe haven for abandoned, abused and neglected children. Aberdare provides monthly sponsorship to help with daily expenses and needs. Every year, Aberdare also hosts a Christmas party for the children in the children's home.



Supporting Developed Countries: Promoting Green Transformation and Social Responsibility

Hengtong focuses on providing leading optical communications and power technologies in developed countries such as the European Union, helping these countries achieve green energy transformation and smart city construction. Through close cooperation with local governments and enterprises, Hengtong promotes technological innovation and supports Europe's leading position in digitalization and environmental protection. At the same time, Hengtong also actively participates in community services and social responsibility activities, strengthens its contribution to society, and further promotes the realization of sustainable development goals in various places.

Deepening Sustainable Development: Hengtong's Ecological and Social Responsibility Practices in the Chinese Market

Hengtong actively practices the concept of sustainable development in the Chinese market, responds to the call for rural revitalization, and helps ecological protection and rural revitalization through actions such as afforestation, river patrols and garbage sorting. Hengtong also pays attention to vulnerable groups in society and actively participates in public welfare undertakings, demonstrating its firm commitment to social responsibility.

Case Hengtong's sustainable development contribution in Portugal's offshore wind power project

In Portugal, Hengtong participated in the construction of an offshore floating wind power output system project, filling the gap in the construction of offshore wind power output systems by Chinese companies in Europe, and realizing and meeting the clean energy supply needs of more than 60,000 households across the ocean. Through this project, Hengtong not only promoted the development of green energy in Portugal, but also demonstrated the capabilities and commitment of Chinese companies in the global energy transition. The successful implementation of this project not only met the local demand for clean energy, but also laid a solid foundation for cooperation in similar projects in the future, reflecting Hengtong's positive contribution to global sustainable development.



Case Practice the concept of sustainable development and promote youth volunteer service

Hengtong took the Arbor Day as an opportunity to organize more than 50 young volunteers to plant trees and put into practice the development concept of "Green water and green mountains are gold and silver mountains". In addition, the company continues to carry out youth volunteer service actions to help rural revitalization, and has organized more than 50 river patrols, garbage classification publicity and civilized city construction activities, demonstrating our firm commitment to social responsibility and making positive contributions to promoting ecological protection and sustainable community development.



Case Cablescom, a subsidiary of Hengtong, joins hands with the Red Cross to promote volunteer services

Cablescom actively supports employees to participate in the Volunteer Day event, working hand in hand with the Zaragoza Red Cross. The event aims to improve community welfare and strengthen the fulfillment of social responsibility by organizing employees to participate in various public welfare projects. The company's employees actively participated in community service during the Volunteer Day event, providing assistance to local residents and enhancing the society's attention and support for public welfare. This initiative of Cablescom not only reflects its commitment to social contribution, but also encourages employees to actively participate in volunteer services and demonstrates the company's positive role in promoting community development.



Case Caring for the disadvantaged groups in society and demonstrating corporate responsibility

Hengtong Alpha Optic-Electric, a subsidiary of Hengtong Optic-Electric, has always spared no effort in fulfilling its social responsibilities and actively participated in social welfare undertakings. With its outstanding performance in supporting social welfare undertakings, the company won the "Suzhou Social Welfare General Hospital Love Contribution Award". This award is not only an affirmation of our long-term care for vulnerable groups in society and support for social welfare undertakings, but also an encouragement for us to continue to practice the concept of "people-oriented, giving back to society". In the future, Hengtong will continue to leverage its corporate advantages, promote more charity activities, and strive to build a more inclusive and caring society.



Hengtong not only leads the industry in technology and products, but also demonstrates a high degree of corporate social responsibility. Through these efforts, Hengtong has further deepened its connections with the rest of the world and injected the wisdom and strength of Chinese companies into the concept of global sustainable development.

Appendix

Disclosures	Disclosure issues	Corresponding chapter
GRI 2: General Disclosures 2021		
Organizations and their reporting practices		
2-1	Organization details	About this report
2-2	Entities included in the organization's sustainability report	About this report
2-3	Reporting period, reporting frequency and contact person	About this report
Activities and Workers		
2-6	Activities, value chains and other business relationships	About Hengtong
2-7	Staff	Caring for employees and promoting inclusive development - talent attraction and retention
Governance		
2-9	Governance Structure and Composition	Compliance management is the foundation for steady development - corporate governance
2-10	Nomination and selection of the highest governance body	Compliance management is the foundation for steady development - corporate governance
2-12	The highest governance body's oversight role in managing influence	Compliance management is the foundation for steady development - corporate governance
2-13	Delegating responsibility for managing impacts	Compliance management is the foundation for steady development - corporate governance
2-14	The highest governance body's role in sustainability reporting	Compliance management, the foundation for steady development - ESG governance
2-16	Communication of key concerns	Compliance management is the foundation for steady development - corporate governance
2-17	Highest governance body's shared knowledge	Compliance management, the foundation for steady development - ESG governance
2-19	Remuneration Policy	Caring for employees and promoting inclusive development - employee compensation and incentives
Strategy, policy and practice		
2-22	Strategic statement on sustainable development	Compliance management, the foundation for steady development - ESG governance
2-23	Policy commitment	Compliance management is the foundation for steady development - ESG governance, stakeholder communication, and adherence to business ethics
2-24	Integration policy commitment	Compliance management is the foundation for steady development - ESG governance, stakeholder communication, and adherence to business ethics
2-26	Mechanisms for seeking advice and raising concerns	Compliance management is the foundation for steady development - adhering to business ethics
Stakeholder Engagement		
2-29	Methods for stakeholder engagement	Compliance management is the foundation for steady development - communication with stakeholders
2-30	Collective Bargaining Agreement	Caring for employees and promoting inclusive development - talent attraction and retention
GRI 3: Material Topics 2021		
3-1	Process for Identifying Substantive Issues	Compliance management is the foundation for steady development - communication with stakeholders

Disclosures	Disclosure issues	Corresponding chapter
3-2	List of substantive issues	Compliance management is the foundation for steady development - communication with stakeholders
3-3	Management of substantive issues	Compliance management is the foundation for steady development - communication with stakeholders
GRI 201: Economic Performance 2016		
201-2	Financial impacts and other risks and opportunities of climate change	Low-carbon development illuminates a green future: climate change and dual carbon
GRI 202: Market Performance 2016		
202-1	Ratio of standard starting salary to local minimum wage by gender	Caring for employees and promoting inclusive development - employee compensation and incentives
GRI 203: Indirect Economic Impacts 2016		
203-1	Infrastructure investment and supporting services	Global co-creation demonstrates Hengtong's responsibility
GRI 204: Procurement Practices 2016		
204-1	Proportion of spending from local suppliers	Leading with innovation and creating leading quality - sustainable supply chain
GRI 205: Anti-corruption 2016		
205-1	Operations that have undergone corruption risk assessments	Compliance management is the foundation for steady development - adhering to business ethics
205-2	Communication and training on anti-corruption policies and procedures	Compliance management is the foundation for steady development - adhering to business ethics
GRI 206: Unfair Competition Practices 2016		
206-1	Legal actions against anti-competitive behavior, antitrust and antitrust practices	Compliance management is the foundation for steady development - adhering to business ethics
GRI 302: Energy 2016		
302-1	Energy consumption within the organization	Low-carbon development illuminates a green future - energy efficiency and transformation
302-3	Energy intensity	Low-carbon development illuminates a green future - energy efficiency and transformation
302-4	Reduce energy consumption	Low-carbon development illuminates a green future - energy efficiency and transformation
302-5	Reduce the energy requirements of products and services	Low-carbon development illuminates a green future - energy efficiency and transformation
GRI 303: Water and Wastewater 2018		
303-2	Managing impacts associated with drainage	Low-carbon development illuminates a green future - water-saving transformation and optimization
303-3	Water Collection	Low-carbon development illuminates a green future - water-saving transformation and optimization
303-4	drain	Low-carbon development illuminates a green future - water-saving transformation and optimization
303-5	Water consumption	Low-carbon development illuminates a green future - water-saving transformation and optimization
GRI 305: Emissions 2016		
305-1	Energy direct (scope 1) GHG emissions	Low-carbon development illuminates a green future: climate change and dual carbon
305-2	Energy indirect (scope 2) GHG emissions	Low-carbon development illuminates a green future: climate change and dual carbon

Disclosures	Disclosure issues	Corresponding chapter
305-4	Greenhouse gas emission intensity	Low-carbon development illuminates a green future: climate change and dual carbon
305-5	Greenhouse gas emissions reduction	Low-carbon development illuminates a green future: climate change and dual carbon
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x) and other significant gas emissions	Low-carbon development illuminates a green future: climate change and dual carbon
GRI 306: Waste 2020		
306-2	Management of significant waste-related impacts	Low-carbon development illuminates a green future - Emission management and recycling
306-3	Waste generated	Low-carbon development illuminates a green future - Emission management and recycling
306-4	Waste diverted from disposal	Low-carbon development illuminates a green future - Emission management and recycling
GRI 308: Supplier Environmental Assessment 2016		
308-1	New suppliers screened using environmental assessment dimensions	Leading with innovation and creating leading quality - sustainable supply chain
GRI 401: Employment 2016		
401-1	New employee hiring rate and employee turnover rate	Caring for employees and promoting inclusive development - talent attraction and retention
401-2	Benefits provided to full-time employees (not including temporary or part-time employees)	Caring for employees and promoting inclusive development - promoting communication and care
403-3	Parental leave	Caring for employees and promoting inclusive development - promoting communication and care
GRI 403: Occupational Health and Safety 2018		
403-1	Occupational Health and Safety Management System	Caring for employees and promoting inclusive development—Occupational health and safety
403-2	Hazard identification, risk assessment and incident investigation	Caring for employees and promoting inclusive development—Occupational health and safety
403-3	Occupational Health Services	Caring for employees and promoting inclusive development—Occupational health and safety
403-5	Worker occupational health and safety training	Caring for employees and promoting inclusive development—Occupational health and safety
403-6	Promoting worker health	Caring for employees and promoting inclusive development—Occupational health and safety
403-7	Prevent and mitigate occupational health and safety impacts directly related to business relationships	Caring for employees and promoting inclusive development—Occupational health and safety
403-9	Work Injury	Caring for employees and promoting inclusive development—Occupational health and safety
GRI 404: Training and Education 2016		
404-1	Average hours of training per employee per year	Caring for employees and promoting inclusive development - helping growth and development
404-2	Employee skills upgrading and transition assistance programs	Caring for employees and promoting inclusive development - helping growth and development
404-3	Percentage of employees receiving regular performance and career development reviews	Caring for employees and promoting inclusive development - helping growth and development
GRI 405: Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and staff	Caring for employees and promoting inclusive development - talent attraction and retention
405-2	Ratio of basic wages and remuneration between men and women	Caring for employees and promoting inclusive development - employee compensation and incentives

Disclosures	Disclosure issues	Corresponding chapter
GRI 406: Anti-discrimination 2016		
406-1	Incidents of discrimination and corrective actions taken	Compliance management is the foundation for steady development - adhering to business ethics
GRI 407: Freedom of Association and Collective Bargaining 2016		
407-1	Operations and suppliers where freedom of association and collective bargaining rights may be at risk	Caring for employees and promoting inclusive development - talent attraction and retention
GRI 408: Child Labor 2016		
408-1	Operations and suppliers with significant risk of child labor	Caring for employees and promoting inclusive development - talent attraction and retention
GRI 409: Forced or Compulsory Labor 2016		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Caring for employees and promoting inclusive development - talent attraction and retention
GRI 413: Local Communities 2016		
413-1	Operations with local community engagement, impact assessments and development plans	Global co-creation demonstrates Hengtong's responsibility
GRI 414: Supplier Social Assessment 2016		
414-1	New suppliers screened using social ratings	Leading with innovation and creating leading quality - sustainable supply chain
GRI 416: Customer Health and Safety 2016		
416-1	Health and Safety Impact Assessments for Product and Service Categories	Leading with innovation, creating leading quality - sustainable supply chain, quality control
416-2	Non-compliance incidents related to health and safety impacts of products and services	Leading with innovation, creating leading quality - sustainable supply chain, quality control
GRI 417: Marketing and Identity 2016		
417-1	Requirements for product and service information and labeling	Leading with innovation, creating leading quality - responsible sales
417-2	Violations involving product and service information and labeling	Leading with innovation and creating leading quality - responsible sales
417-3	Violations involving marketing communications	Leading with innovation, creating leading quality - responsible sales
GRI 418: Customer Privacy 2016		
418-1	Substantial complaints regarding customer privacy and data breaches	Leading with innovation, creating leading quality - customer communication and service

