

**ESG
REPORT**
2023

Report Description

Scope of the Report

This report (“this Report”) is the first environmental, social and governance (“ESG”) report issued by SDP Global (China) Co., Ltd. It mainly discloses information and data on the Company’s ESG practices from January 1, 2023, to December 31, 2023. To ensure continuity and comparability of this Report, certain data and information extend beyond 2023.

Preparation Basis

This Report is prepared in accordance with the Global Reporting Initiative (“GRI”) Standards (“GRI Standards”), the ISO 26000: 2010 Guidance on Social Responsibility published by the International Organization for Standardization (“ISO”), and the GB/T36001-2015 Guidance on Social Responsibility Reporting.

Content Determination

The Company follows the principles of materiality, completeness, and responsiveness as defined in the GRI standards when determining the content of this Report. This Report mainly elaborates on the Company’s performance in ESG governance, product responsibility, environmental responsibility, and employee care from economic, social, and environmental dimensions. Data and information in this Report are collected following the Company’s existing business procedures.

Denotation

In this Report, SDP Global (China) Co., Ltd. is referred to as “SDP China”, “the Company”, or “we/us”. The copyright of this Report is reserved by SDP Global (China) Co., Ltd.

Publication

This Report is published online on an annual basis and can be accessed on the Company’s website at <http://www.sdpotec.com>.

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Message from the General Manager



Incorporated in 2017, SDP China is committed to producing and developing high-quality and high-performance display products. Our full-ecosystem industrial park for 10.5th-generation TFT-LCD 8K displays is located in Zengcheng, a national economic and technological development zone in the city of Guangzhou. This has been the largest single investment in advanced manufacturing in Guangzhou since the beginning of China's reform and opening up. With cutting-edge technology, large investment, and substantial benefits, this industrial park has spurred the rapid growth of Zengcheng's high-tech industries and plays a pivotal role in revitalizing Guangdong Province's real economy and accelerating innovation-driven development.

At SDP China, we adhere to corporate values that put customers first and maintain open cooperation, innovation, and honest and responsible operations. We provide premium products and professional technical support for world-renowned manufacturers of electronic products. By embracing the philosophy of "revolutionizing human lifestyle with 8K", we enhance our capabilities in advanced technology and stable production to attract employees, partners, and suppliers. We are also intensifying our efforts to delve into display panels as we aim to create greater value for our customers.

Technological innovation and product development are the Company's lifeblood, driving sustainable growth and enhancing the Company's core competitiveness. Since our inception, we have consistently increased investment in R&D, which amounted to RMB1.212 billion between 2021 and 2023. This investment has yielded 139 achievements in new technologies, materials, and processes, along with 19 authorized patents. Product quality is our top priority. Our employees all adhere to the principle of "quality-first" and are united in our commitment to quality assurance activities. Our goal is to practice customer satisfaction and produce products that meet customers' demands.

Protecting Earth, our shared home, is a responsibility we must shoulder. Therefore, we uphold the environmental philosophy of lifecycle management, use green products, utilize green energy, and build green factories as part of our mission to build green, accident-free factories. Between 2021 and 2023, we invested RMB246 million in environmental facility upgrades and operations, aiming to reduce the discharge of pollutants and improve the utilization of resources. We actively practice low-carbon living, build energy management systems, and conduct carbon accounting and emissions reduction as part of our contribution to China's "carbon emission peak and carbon neutrality" goals.

Talent is the driving force and lifeblood of our sustainable development. We advocate an open, diverse, and inclusive workplace culture, respect employees' career choices, and treat all employees equally. We also care about employee growth, encouraging each employee to strive, innovate, and achieve breakthroughs. Our aim is to provide a platform for employees to achieve their career ambitions and life goals. In terms of health and safety, we pursue a goal of "zero accidents and injuries" and strive to create a safe and healthy working environment, thereby promoting both employee and social growth. Between 2021 and 2023, the Company did not have any fatal accidents or cases of occupational disease. By accumulating with abundance and without concern to foster vitality, we are at a new starting point as we pursue scientific growth and embrace our social responsibilities. With our vision of "8K: A New Vision of the World, A New Path to Going Global", we will join forces with friends from all sectors to build a brighter future together.

General Manager:
April 2, 2024

Mission, Vision, and Core Values

Vision

8K: A New Vision of the World and A New Path to Going Global

Goal

Revolutionize Human Lifestyles with 8K

Core Values

Put Customers First and Maintain Open Cooperation, Innovation, and Honest and Responsible Operations

Put customers first	Maintain open cooperation	Maintain innovation	Maintain honest and responsible operations
Prioritize and practice customer value by providing high-quality products and services for customers.	Promote exchanges and collaboration across technologies and regions to solve industry challenges and drive industry growth together.	Drive corporate growth by pioneering and innovating with professionalism and keen insight.	Uphold the principle of honesty, pursue transparent, compliant, and honest business practices, and actively fulfill corporate social responsibilities.

ESG Performance in 2023

Statistics on SDP China’s ESG Performance in 2023

Category	Performance Metrics	2023
Economic	Total asset (RMB'00 million)	443.01
	Annual output (pcs/year)	8,670,000
	Sales revenue (RMB'00 million)	93.81
	Operating cost (RMB'00 million)	86.25
	Total tax payment (RMB'00 million)	0.94
	R&D investment (RMB'0,000)	46,356.26
	Government incentives and subsidies (RMB'0,000)	65,571.54
	Employee training investment (RMB'0,000)	7.63
Environmental	Environmental protection investment (RMB'00 million)	0.88
	Total wastewater discharge (T/year)	5,407,403
	Water resource consumption (Tons/Year)	5,705,499
	Sewage treatment compliance rate (%)	100%
	Exhaust emission compliance rate (%)	100%
	Total power consumption (KWH/year)	982,166,605
	Natural gas (M³/year)	3,150,822
	Diesel (KG/year)	895
	Water resource reuse rate (%)	83.11%
	Wastewater discharge per unit product (Tons/M² Product)	0.534
	Electricity consumption per unit product (Tons/M² Product)	96.98
	Scope 1 greenhouse gas ("GHG") emissions (TCO₂-e/Year)	6,303.21
	Scope 2 GHG emissions (TCO₂-e/Year)	560,129.61
	Total Scope 1 and Scope 2 GHG emissions (TCO₂-e/Year)	566,432.83
	GHG emissions per unit product (TCO₂-e/M² Product)	0.056

ESG Performance in 2023

Statistics on SDP China’s ESG Performance in 2023

Category	Performance Metrics	2023
Social	Code of business ethics and anti-corruption training (sessions/year)	871
	New technologies (per year)	7
	New processes (per year)	5
	Authorized patents (pcs/year)	12
	Patent applications (per Year)	10
	R&D personnel (Persons)	416
	R&D investment (RMB'0,000)	46,356.26
	International customer VLRR (DPPM)	837
	Domestic customer VLRR (DPPM)	612
	Total number of employees (person)	2,558
	Proportion of middle-level and above female managers in management staff (%)	27%
	The ratio of the average salary of frontline employees to the local minimum basic wage	2.8:1
	Employee turnover rate (%)	5.13%
	Growth rate of average employee compensation (%)	3%
	Ratio of compensation for men and women in the same position	1:1
	Labor contract signing rate (%)	100%
	Safety investment (RMB'00 million)	0.12
	Lost time injury rate per one million working hours	84.01
	Number of fatalities in the line of duty (person/year)	0
	Number of occupational diseases (per year)	0
	Health examination coverage rate of occupational disease posts (%)	100%
	Total annual training hours for employees (hours/year)	83,884
	Employee Training Investment (RMB'0,000)	7.63
	Total number of training courses (pcs/ year)	1,126
	Average training hours for employees (hours/person/year)	32.8
	Employee performance appraisal coverage (%)	100%

01 ABOUT SDP CHINA

Embracing the philosophy of “revolutionizing human lifestyle with 8K”, SDP China enhances its capabilities in advanced technology and stable production, as it intensifies its efforts to delve into display panels, aiming to create greater value for its customers.

1.1 Company Overview

SDP Global (China) Co., Ltd. was founded in 2017 through investment by Sakai Display Products Corporation (hereinafter referred to as “SDP”) as its wholly owned subsidiary. SDP China is mainly engaged in the production and sale of TFT-LCD tablet displays. Its production and R&D focus on products including ultra-high-definition 4K/8K televisions. SDP China’s full-ecosystem industrial park for 10.5th-generation TFT-LCD 8K displays, located in Zengcheng, a national economic and technological development zone in Guangzhou, has been the largest single investment in advanced manufacturing in Guangzhou since the reform and opening up. On a land of 1.43 million square meters, the park has a plant area of 1.36 million square meters.



SDP China's Full-ecosystem Industrial Park for 10.5th-generation TFT-LCD 8K Displays

The Company is a high-tech enterprise committed to the R&D, production, and sale of advanced display technologies. It constantly innovates and develops under the guidance of the quality strategy of “continuous improvement and the highest customer satisfaction” while holding fast to a corporate culture with speed, quality, technology, elastic cost, and safety at the core. The Company focuses on researching, developing, and producing high-quality and high-performance display products. The products are exported to 13 countries and regions around the globe. Our clientele includes globally renowned manufacturers of electronic products, telecommunications equipment suppliers, automotive manufacturers, and other leading industry players. SDP China has established long-term, stable partnerships with these clients, providing them with high-quality products and professional technical support.

The technology used in the 8K displays is characterized by high resolution (4K2K or 8K4K), high image quality (wide color gamut and UV2A), and high functionality (scrolling display and ultra-narrow bezel). It has the highest-resolution image quality. With its wide color gamut, the range of colors such a display can produce surpasses all those in nature. In addition to the highest-resolution image specification that the human eye can distinguish, the technology can perfectly present the dynamic contrast between light and dark, thereby increasing the sense of presence, three-dimensionality, and physicality. It is an innovative image technology.

There is a complete industrial chain of panel production as well as smart TV manufacturing and sale in SDP China's full-ecosystem industrial park. With cutting-edge technology, a large investment, and substantial benefits, the industrial park has spurred the rapid growth of Zengcheng's high-tech industries and plays a pivotal role in revitalizing Guangdong Province's real economy and accelerating innovation-driven development. Since its incorporation five years ago, the Company has attracted an increasing number of employees, partners, and suppliers. It enhances its capabilities in advanced technology and stable production, and intensifies its efforts to delve into display panels, aiming to create greater value for its customers.

1.2 Course of Development

January 2017

SDP Global (China) Co., Ltd. was incorporated in Zengcheng District in January 2017 with a registered capital of RMB21 billion.



March 2017

SDP China officially laid the foundation of its 8K project in March 2017, marking an important step for Guangzhou to implement “Made in China 2025” and revitalize the real economy.



June 2018

The factory buildings of SDP China’s 8K project were topped out in June 2018.



February 2019

An 8K high-precision exposure machine, as the first core equipment of SDP China’s full-ecosystem industrial park for 10.5th-generation displays, was moved into the plant area in Zengcheng, Guangzhou in February 2019.



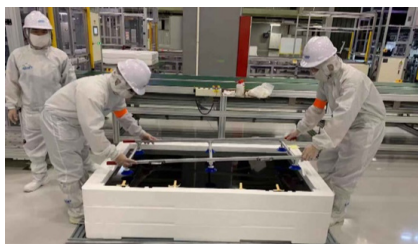
July 2019

The lighting ceremony of the first 65-inch product on the production line of SDP China’s full-ecosystem industrial park for 10.5th-generation displays was held at the lamination factory in July 2019.



October 2019

The first product shipment was made in October 2019, as we strove to build a production line with leading competitiveness.



1.3 Economic Performance

In recent years, the global pandemic has led to a concentrated outbreak of various problems in the market environment. Uncertainty and risk in the market have reached an all-time high. In the face of the many uncertainties and risks in the market, SDP China has been following a sustainable development business model, aiming to provide customers with the best solutions. Gradually, it has established a presence in the industrial supply chain in the Pearl River Delta with 8K display technology as the cornerstone. In the meantime, active efforts have been made to build an 8K ecosystem.

SDP China upholds “revolutionizing human lifestyle with 8K” as an objective and always keeps in mind the guidance of the philosophy that puts customers first and maintains open cooperation, innovation, and honest and responsible operations. It actively practices the vision of “8K: A New Vision of the World, A New Path to Going Global” with a view to becoming a benchmark in domestic high-end manufacturing. In 2023, the Company recorded an annual sales revenue of RMB9,381 million, a year-on-year increase of 54.8%. Product output was 8,670,000 pcs/year, up 45.6% year on year. R&D investment increased by 39% year on year to RMB463,562,600. A remarkable economic performance was achieved.

Statistics on SDP China’s Performances from 2021 to 2023

Item	2021	2022	2023
Total asset (RMB'00 million)	469.59	466.53	443.01
Annual output (pcs/year)	6,600,000	8,460,000	8,670,000
Sales revenue (RMB'00 million)	100.36	60.60	93.81
Operating cost (RMB'00 million)	73.38	76.88	86.25
Total tax payment (RMB'00 million)	0.91	0.92	0.94
R&D investment (RMB'0,000)	41,512.32	33,281.62	46,356.26
Government incentives and subsidies (RMB'0,000)	87,000.40	84,494.68	65,571.54
Employee training investment (RMB'0,000)	7.67	11.67	7.63
Total employee remuneration (RMB'00 million)	3.69	3.92	3.81

Direct Economic Impact

1. SDP China’s projects feature advanced technology, a large scale, a large investment, and substantial benefits. Its response to the national and regional call for “accelerating the shift of growth model and pressing ahead with economic structural adjustment as well as industrial transformation and upgrading” will create significant economic benefits, promote industry clustering, and bring significant social benefits.

2. SDP China can greatly enhance the scale and technology level of the tablet display industry in the Pearl River Delta region. It can not only foster an industry base centered on ultra-large-size advanced tablet display processing but also cultivate and develop the industrial chain. The tablet display industry in the Pearl River Delta region will therefore be able to maintain its leading position in the country.

3. SDP China’s products are directly targeted at downstream users. On the one hand, convenient services can be provided for downstream display product manufacturers. On the other hand, the products can be upgraded and production capacity expanded according to demand. Accordingly, the goal of common progress and development with many display product enterprises will be reached, with an industry cluster formed, and the development of local raw materials and accessories enterprises will be promoted ultimately.

1.4 Honors and Awards



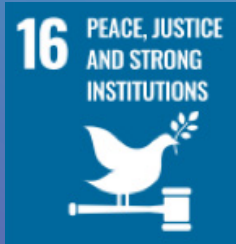
The Company was awarded the title of “High-tech Enterprise”

No.	Award Time	Honor/Incentive Name	Awarding Unit
1	2017	Grade A Tax-paying Enterprise	State Taxation Administration
2	2019	ISO 14001 system certification	SGS
3	2019	ISO 45001 system certification	SGS
4	2020/2021/2022	Guangzhou Environmental Integrity Enterprise (Green Label Enterprise)	Guangzhou Municipal Ecological Environment Bureau
5	2020	Zengcheng District Integrity Enterprise	Office of Zengcheng District Civic Enhancement Committee/Zengcheng District Market Supervision Administration
6	2020	LEED Gold certification	U.S. Green Building Council
7	2021	AEO Advanced Certified Enterprise	Huangpu Customs District P.R. China
8	2022	High-tech Enterprise	Guangdong Science and Technology Department/Department of Finance of Guangdong Province/Guangdong Provincial Tax Service, State Taxation Administration
9	2022	RBA system certification	RBA
10	2022	ISO 14001 system certification	SGS
11	2022	ISO 45001 system certification	SGS
12	2023	ISO 9001 system certification	SGS
13	2023	Guangzhou Clean Production Enterprise Certificate	Office of Industry and Information Technology Development Joint Session of Guangzhou Municipality



02 ESG GOVERNANCE

SDP China establishes and improves ESG management, enhance the Company's competitiveness, and lay a foundation for the Company's sustainable development.



2.1 Organizational Governance Structure

Amid unpredictable market circumstances, the sustainable development of an enterprise depends on the establishment of an effective governance structure and the implementation of systematic risk management, to cope with increasingly complex uncertainties. A rational governance structure is the cornerstone of an enterprise's steady operation and sustainable development. Based on business needs, the Company has established a corporate governance structure consisting of the Manufacturing Center, Management Center, Business Center and R&D Center and leading various professional functional departments, with the General Manager serving as the Company's supreme manager.

The Company's senior management is in charge of formulating sustainable development strategies and objectives, the professional functional departments provide professional support and centralized management for the operation of various projects, and the supervision departments are responsible for supervision and verification at the Company's operation and decision-making level, which has formed an effective decision-making and governance mechanism.

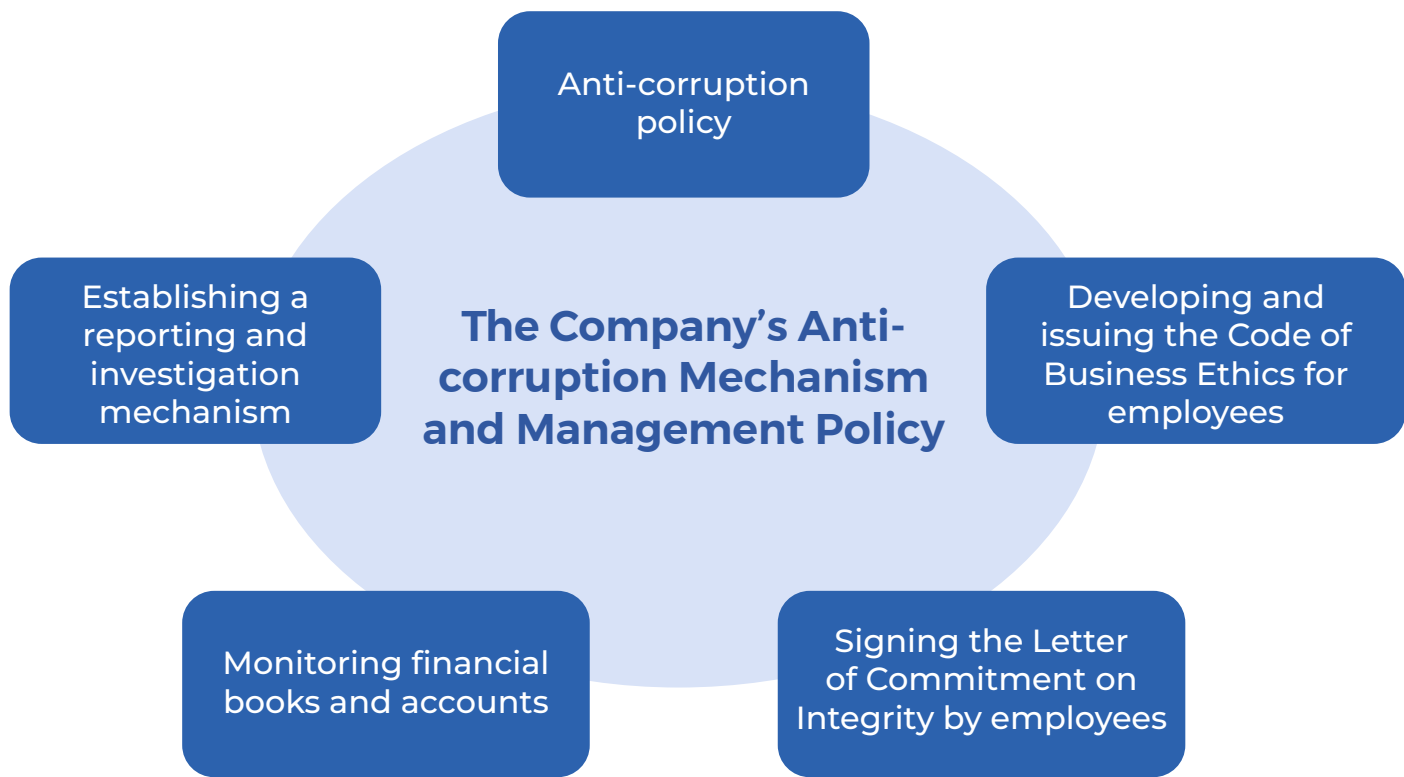
Corporate Governance Structure



2.2 Code of Business Ethics

• Anti-corruption policy

The Company and all employees shall abide by the anti-corruption and anti-bribery laws, stick to the Company’s core values, and conduct business by following the principles of legal compliance, integrity, dedication, fair competition and honest operations. For corrupt acts in violation of the laws and regulations and the Company’s policies and norms, we shall adopt a zero-tolerance attitude, punish the relevant responsible persons and hold them accountable, including but not limited to dismissal and transfer to state organs to bear legal responsibility. In terms of supplier management, bidding & tendering management and financial payment management, SDP China has built compliant and rational internal control systems, maintained an effective internal financial control system, and adopted the following measures to prevent corruption.



• Integrity management measures

- 1. The Company has formulated and issued the Code of Business Ethics and the Code of Conduct for Employees, which explicitly prohibit and stop employees from engaging in business activities by improper means or commercial bribery. Meanwhile, employees are strictly prohibited to abuse their powers for irregularities such as jobbery, concealment, shielding and ultra vires acts. The Company requires every employee to understand, abide by and implement the relevant rules and regulations and sign the Letter of Commitment on Integrity and Anti-corruption. The coverage ratio of employees signing the letter of commitment was 100% in 2023.
- 2. The finance departments shall keep complete financial entry and exit books, records and accounts, so as to reflect economic transactions in a rational, detailed, accurate and fair manner, safeguard the effective internal financial monitoring system, and avoid the occurrence of false bookkeeping and corruption.
- 3. To enhance employees' anti-corruption consciousness, the Company has carried out integrity training in various forms such as induction compliance training, online training and other irregular compliance training. From 2021 to 2023, a total of 1,698 employees participated in training on the code of business ethics and anti-corruption, and there was no corruption case that caused legal proceedings in the Company.



The Company conducts training on anti-corruption and integrity

Statistics of Training on the Code of Business Ethics and Anti-corruption

Indicator	2021	2022	2023
Training on the code of business ethics and anti-corruption for key posts (person/year)	0	827	871

- 4. The Company has established a mechanism for reporting anti-corruption to encourage internal and external personnel to expose commercial bribery and corruption, and the reporting information will be accepted and investigated by the integrity group. During the investigation process, the Company will strictly keep confidential the whistleblower’s name, department and company name.

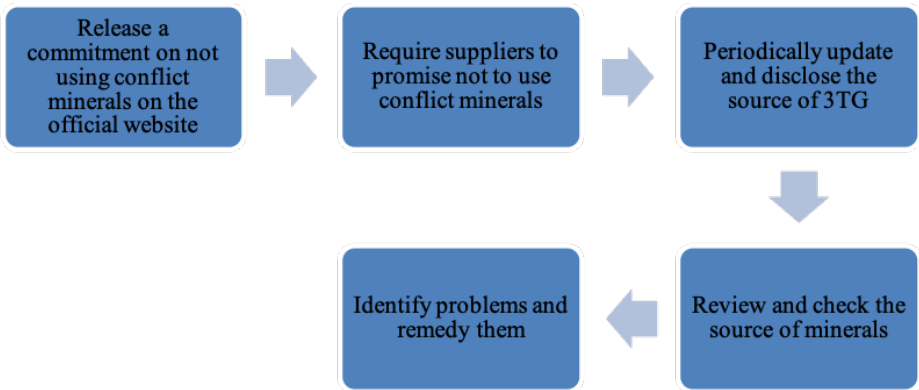
Telephone for reporting and complaint: [020-32828888#5087-60999]
Email for reporting and complaint: [lianjie@sdptec.com]

2.3 Sustainable Procurement

• Control of high-risk minerals

The Company undertakes not to support or use conflict metals produced from conflict mineral areas and requires all suppliers to comply with the conflict-free mineral laws and regulations.

Conflict minerals refer to the metal minerals such as tantalum, tin, tungsten and gold (abbreviated as the “3TG”) produced in the conflict areas controlled by non-governmental military groups or non-military factions from the Democratic Republic of the Congo and the nine countries sharing internationally recognized borders with it. The exploitation of these metals in the local areas has caused serious human rights and environmental protection problems. The mining activities in these areas are mostly related to armed groups in conflict (financial assistance), which has caused long-term instability to such areas. Therefore, the metal minerals including tantalum, tin, tungsten and gold produced there are called “conflict minerals”. The Dodd-Frank Wall Street Reform and Consumer Protection Act approved by the United States in 2010 requires enterprises to ban the use of conflict minerals.



Conflict Minerals Control Mechanism

SDP China is committed to shouldering its corporate social responsibility and resolutely resisting violence and armed forces, forced labor, child labor and human rights violations, and has taken the following control measures regarding conflict minerals:

1. The Company has released a statement and commitment on not using conflict minerals on its official website, so that the stakeholders and manufacturers can be informed in time;
2. During the introduction of new manufacturers, each of them is required to sign the Letter of Commitment for Suppliers on Not Using Environmentally Hazardous Substances, which covers commitments and statements on not using conflict minerals;

3. With the aid of the Conflict Minerals Reporting Template (CMRT), the Company requires various manufacturers to regularly disclose the source of 3TG in their materials every year, thereby ensuring that the raw materials supplied to the Company do not contain any conflict minerals. If conflict minerals are found in the supplied materials, the relevant manufacturers shall be informed immediately, risk mitigation plans shall be adopted, and remediation shall be implemented as required. The relevant supply can only be continued after the remediation is confirmed to be completed;
4. As required by customers, the Company discloses 3TG information in its products to customers every year and updates such information regularly.

The 3TG currently used by the Company in its products is all from smelters that have been audited by independent third-party auditing institutions. As at the end of 2023, the supplier survey results showed that no conflict mineral materials were used.

• Supplier ESG management

With the rapid development of the global economy, the ESG risks faced by enterprises are increasingly affected by the supply chain, including conflict minerals, hazardous substances, human rights risks and environmental risks. The Company complies with social responsibility standards, promotes the sustainable procurement management policy, constantly improves the supply chain management system, strengthens communication with suppliers, and continuously boosts the sustainable development of the supply chain system.

1. The Company has formulated the Evaluation Procedure for New Suppliers. The introduced new suppliers are required to fill in the ESH Self-evaluation Form and the Survey and Assessment Form of Suppliers' Compliance and Trade Safety. Only after their evaluation results of environment, safety and compliance have been approved by the professional departments can they enter the Company's list of qualified suppliers. In 2023, the proportion of using system standards to select suppliers reached 95.01%, which has effectively avoided the occurrence of supplier risk events.
2. New suppliers should sign the Letter of Commitment for Business Partners on Trade Safety and the Letter of Commitment for Suppliers on Not Using Environmentally Hazardous Substances. Such letters of commitment and guarantee serve as the code of conduct for suppliers and require suppliers to strictly abide by and implement them. From 2021 to 2023, the coverage ratio of suppliers who signed the code of conduct rose from 94.52% to 95.01%.

Statistics on Sustainable Procurement Performance in 2021-2023

Procurement Indicator	2021	2022	2023
Proportion of local procurement (%)	49.88%	75.42%	84.35%
Signing rate of the code of conduct for suppliers (%)	94.52%	94.77%	95.01%

In the future, the Company will gradually improve the sustainable procurement management system. While increasing the proportion of local procurement and promoting local economic development, the Company will improve the supplier ESG risk management mechanism, including improving the supplier ESG selection and evaluation standards, carrying out supplier ESG knowledge training, and conducting on-site reviews on high-risk supplier ESG. Meanwhile, the Company will work with suppliers to jointly cope with responding to climate change and lay a solid foundation for the sustainable development of the product value chain.

2.4 Key ESG Issues

Stakeholder engagement

In order to acquire and respond to stakeholders’ needs in a timely manner, the Company has identified the requirements and expectations of stakeholders and ESG issues in accordance with the requirements of the ISO26000: 2010 Guidance on Corporate Social Responsibility and the Global Reporting Initiative (GRI) Standards. Besides, the Company has selected the key ESG issues with the matrix evaluation method from the two dimensions of “Impact on the enterprise’s sustainable development” and “Stakeholders’ concern with ESG issues”. It is hoped that, through communication with and engagement of stakeholders, the Company can respond to their requirements and expectations, effectively control ESG risks, and achieve the Company’s strategic development goals.

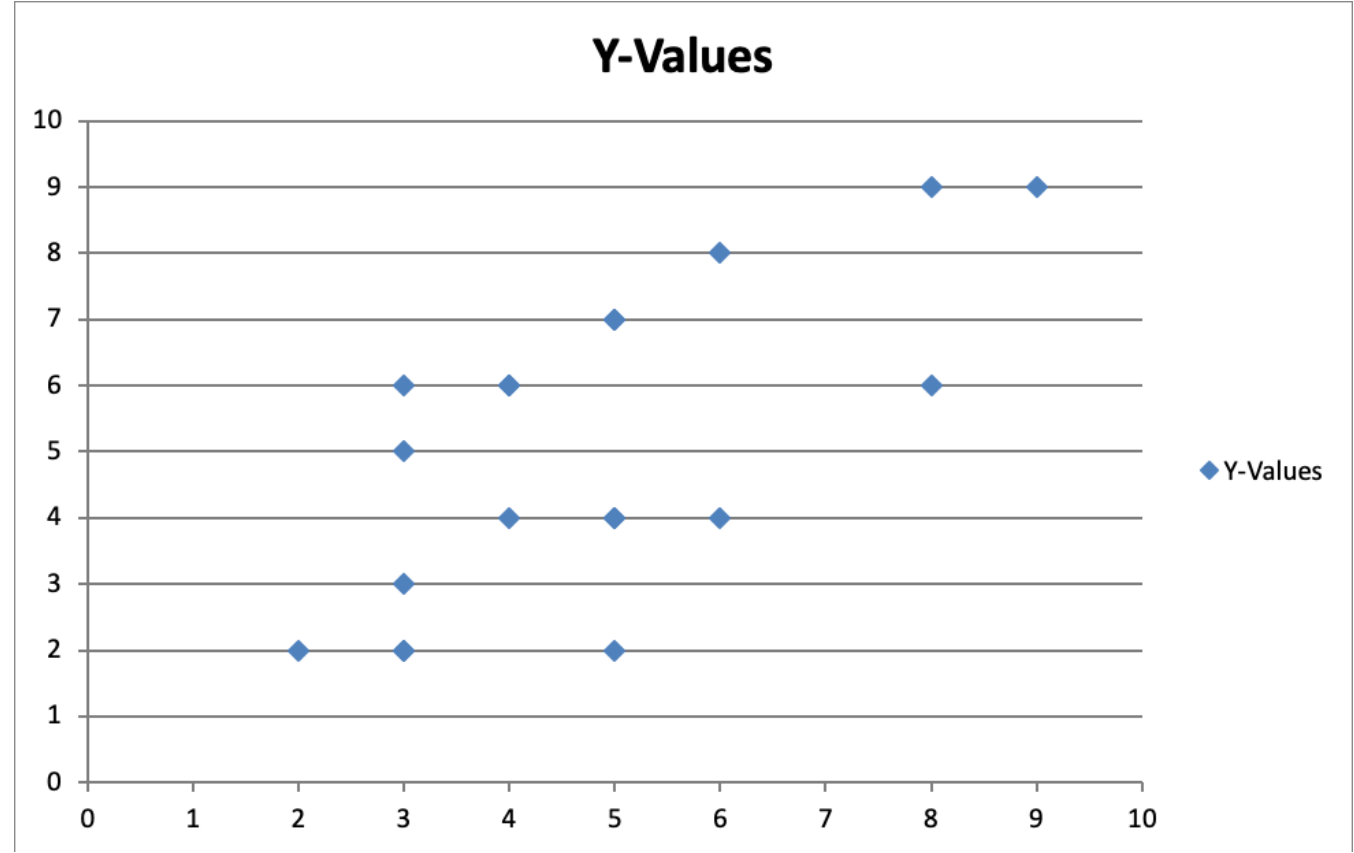


Identification of key ESG issues

Statistics on Communication with Stakeholders and Key ESG Issues

No.	Stakeholders	Topics of Concern	Means of Communication	Topic evaluation results Stakeholders' concern * Impact on the Company's economy, environment and society	Disclosure Chapter
1	CUSTOMERS	High-quality products Hazardous substances control Product R&D and innovation	Customer satisfaction survey Customer complaint Communication meeting with customers	9X9 7X6 8.5X7	Chapter 3 Chapter 3/4 Chapter 3
2	Shareholders and investors	Return and growth Enterprise risk management	Release of financial reports Communication meeting with shareholders	8X8 7X5	Chapter 1 Chapter 2
3	Suppliers and contractors	Honoring commitments Code of business ethics Sustainable procurement	Supplier meeting On-site audit	6X4 6X8 6X5 7*7	Chapter 2
4	Employees	Sound remuneration and benefits Health and safety Training and career development Protection of employees' rights and interests	Employee satisfaction survey Safety management system Internal meeting	8X6 7X5 6X6 7.5X6.5	Chapter 5
5	Environment	Water resources management Clean production Response to climate change	Internal meeting Pollutant monitoring ESG report	7X6.5 6X7 9X7	Chapter 4 Chapter 4 Chapter 4
6	Government and regulatory authorities	Compliance with laws Safe Production Tax payment according to laws Supporting local economic development	Government meeting Seminar On-site visits and communication	6X5 9X7 4X4 4X3	Chapter 2 Chapter 5 Chapter 1 Chapter 1
7	Community and NGO	Driving local economic development Fulfillment of social responsibilities	Periodic information disclosure Visits	3X3 5X3	Chapter 1 Chapter 5
8	Competitors	High-quality products Product R&D and innovation	Customer satisfaction survey Customer complaint Communication meeting with customers	9X9 8.5X7	Chapter 3

Evaluation Matrix of Key ESG Issues



Y-axis: Impact on the Company's economy, environment and society;
X-axis: Stakeholders' concern

03 PRODUCT RESPONSIBILITY

At SDP China, quality is our primary mission, and we are united in our commitment to quality assurance activities.

We produce products that meet customer needs and provide satisfactory services.



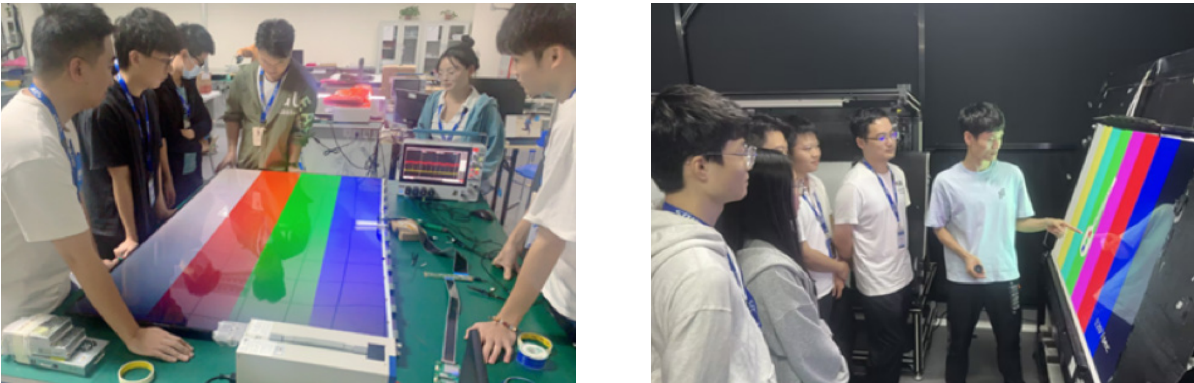
3.1 Product Development and Innovation

Technological innovation and product development are the lifeblood of the Company, driving sustainable development and enhancing the Company's core competitiveness. In recent years, the Company has continued to increase its investment in R&D. From 2021 to 2023, a total of RMB1,212 million was invested in R&D. This funding was allocated for the purchase of R&D and testing equipment, the formation of R&D teams, and the establishment of R&D incentive mechanisms to enhance the scientific enthusiasm of our R&D personnel. As of the end of 2023, the Company employed 197 highly qualified product development, process development, and technical personnel. From 2021 to 2023, we achieved a total of 139 new technological, material, and process development results, obtained 28 authorized patents, and achieved substantial R&D results.

R&D Performance Data for 2021-2023

R&D New Technology/Results Proof	2021	2022	2023
New technologies (per year)	5	13	7
New materials (per year)	36	23	26
New processes (per Year)	10	14	5
Authorized patents (PCS/Year)	7	10	11
R&D personnel (Persons)	190	234	197
R&D investment (RMB'0,000)	41,512.32	33,281.62	46,356.26

SDP R&D Personnel at Work



SDP R&D Personnel at Work

No.	Application/ Patent No.	Patent Name	Date
1	2014800580842	Electrical Device	2021/9/22
2	2015800825755	Data Transmission and Display Device	2021/9/22
3	2014800589832	Display Panel	2021/9/22
4	2011100084569	Display Device and Color Filter Substrate	2021/9/22
5	2008801276596	Active Matrix Substrate, LCD Panel, LCD Display Device, LCD Display Unit, and Television Receiver	2021/9/23
6	201080043882X	LCD Display Device	2021/9/22
7	2007800342581	Viewing Angle Control Panel and LCD Display Device	2022/1/13
8	2007800368632	LCD Display Panel, LCD Display Component, and LCD Display Device	2022/1/13
9	2009801371947	Signal Conversion Circuit and Multi-source Color LCD Display Device	2022/1/12
10	2009801487765	Active Matrix Substrate, LCD Panel, LCD Display Device, LCD Display Unit, Television Receiver	2022/1/19
11	202120846586.9	Inflatable Cushioning Fixing Device	2021/12/3
12	202122166819.3	LCD Panel Thin Film Transistor Structure Device	2022/2/11
13	202122166820.6	Device for Improving the Aperture Ratio of LCD Panels	2022/2/11
14	202220406854.X	Limiting Structure Components and Packaging Box	2022/8/12
15	202221038014.9	Cushioning Liner and Packaging Device	2022/11/15
16	202221976353.1	Thermal Compression Device	2022/11/15
17	202221560548.8	Leak Detection Device	2022/11/15
18	202221835981.8	TFT Pixel Circuit for Stable Current Control and Display Device	2023/2/28
19	202222175018.8	Air Knife Device	2023/3/24
20	202222392941.7	Cleaning Mechanism and Conveyance Device with Cleaning Mechanism	2023/2/3
21	202222983940.X	Display Panel and Display Device	2023/2/24
22	202223077601.1	Plasma Treatment Device	2023/5/2
23	202222502703.7	Cushioning Foam and Packaging Device	2023/5/2
24	202320360246.4	Display Panel and Display Device	2023/8/22
25	202320352888.X	Display Panel and Display Device	2023/9/12
26	202320331287.0	Rotating Shaft Electrostatic Conduction Device and System	2023/8/25
27	202321824469.8	Semiconductor Manufacturing Equipment	2023/12/22
28	202321824450.3	Flip-Chip Thin Film Encapsulation Structure	2023/12/26

3.2 Quality Assurance System

• SDPC quality policy

Our guiding principle is to prioritize quality. Every employee embodies a quality-first mindset, and we are united in our commitment to quality assurance activities.

We comply with social norms and adhere to all relevant environmental regulations and standards.

We are dedicated to practicing customer satisfaction by producing products that meet customer demands and providing satisfactory services.

We have established and operate a quality assurance system based on the international standard ISO 9001:2015 Quality Management Systems. This system encompasses various aspects of our operations, including product quality planning, product research and development, manufacturing, supplier quality, product testing for hazardous substances, and customer satisfaction, thereby ensuring high-quality products and services for our customers. According to our statistics from 2021 to 2023, there has been a continual increase in customer satisfaction. Both domestic and international customer VLRR (Verified Lot Rejection Rate) have consistently decreased to 612 DPPM (Defective Parts Per Million) and 837 DPPM, respectively. These improvements in quality performance data demonstrate the maturity of our product quality management and the stability of our product control.

Quality Performance Data from 2021 to 2023

Quality Indicator	2021	2022	2023
Missed inspections DPPM	746	370	185
International customer VLRR (DPPM)	1495	887	837
Domestic customer VLRR (DPPM)	1769	944	612
Incidents of misidentification & isolation of nonconforming products (per year)	0	0	0
Rate of effective containment measures within 3 days (%)	92.86%	100%	100%

1. Production process monitoring

The Company has established a Production Process Quality Management Procedure, which encompasses comprehensive process control through workforce, machinery, materials, processes, environment, and measurement. We have devised a product quality testing plan that includes incoming goods inspection, in-process quality checks, and final product quality testing.

2. Supplier performance evaluation

We have implemented a Supplier Management Procedure that includes performance evaluation and assessment mechanisms for suppliers. This involves monitoring and evaluating the raw materials purchased, production processes, production costs, and customer services. Based on the results of these evaluations, we seek to identify and collaborate with the best suppliers.

3. PDCA cycle for continuous improvement

We integrate the PDCA (Plan-Do-Check-Act) cycle into its daily quality management activities. For identified quality issues, we analyze their causes from the root, find corrective and preventive measures to address quality concerns, and prevent their recurrence.

4. Toxic and hazardous substances control

We have developed management and procurement operation procedures that require new suppliers to pass a Green Parts (GP) review before they can become potential mass production suppliers. Suppliers must sign a Letter of Commitment for Suppliers on Not Using Environmentally Hazardous Substances and provide RoHS (Restriction of Hazardous Substances) testing reports. New factories, production lines, and processes must undergo GP review and certification before mass production. In terms of management implementation, the Company has adopted comprehensive and systematic measures: setting clear management objectives and policies, appointing management representatives, developing risk management and response plans, enhancing supplier management, conducting rigorous audits and monitoring of incoming materials, periodically conducting random inspections and evaluations of hazardous materials, developing and updating management standards, and conducting hazardous material qualification assessments during new product development and product engineering changes. Furthermore, we have strengthened our internal management system, including training and assessment of QC080000 system internal auditors, with plans to achieve QC080000 system certification by 2024. Additionally, we provide employees with education and training related to hazardous material management to enhance their environmental awareness and capability in managing hazardous substances.



ISO9001 Quality Management System Certification Certificate



Green Product GP Training

3.3 Product Reliability Test

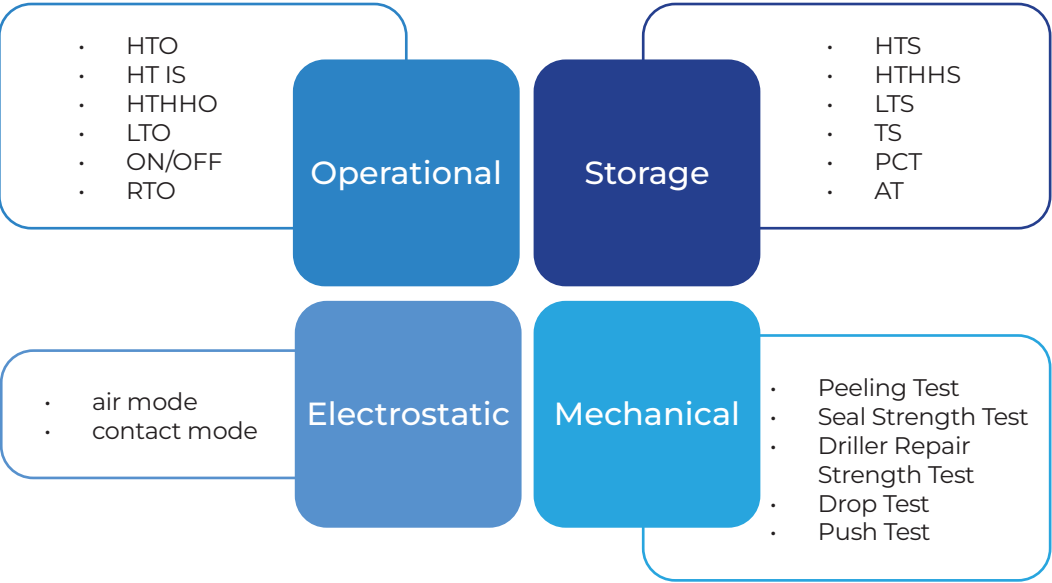
The Company maintains a well-equipped product reliability testing laboratory, which houses eight operational monitoring devices and 12 storage monitoring devices. These facilities are capable of conducting environmental tests including high temperature, low temperature, ambient temperature, thermal shock, decompression, and high pressure validations. Additionally, we have one electrostatic device capable of conducting anti-static tests on panels, PCBs, and COFs. For mechanical testing, two devices are available that can perform mechanical tensile, pressure, and ball drop tests, meeting all the requirements for testing the reliability of our LCD products.

We have established a comprehensive testing process and various testing procedure manuals that meet both product design specifications and customer validation requirements. This includes standards for the laboratory environment, testing equipment, and methodologies. The laboratory staff, comprising reliability test engineers and technicians, are all trained prior to their deployment and have undergone relevant experimental education and training, equipping them with professional capabilities for reliability testing. All testing equipment is calibrated annually as required to ensure the accuracy of the test instrument results.

Reliability Laboratory Testing Equipment Examples



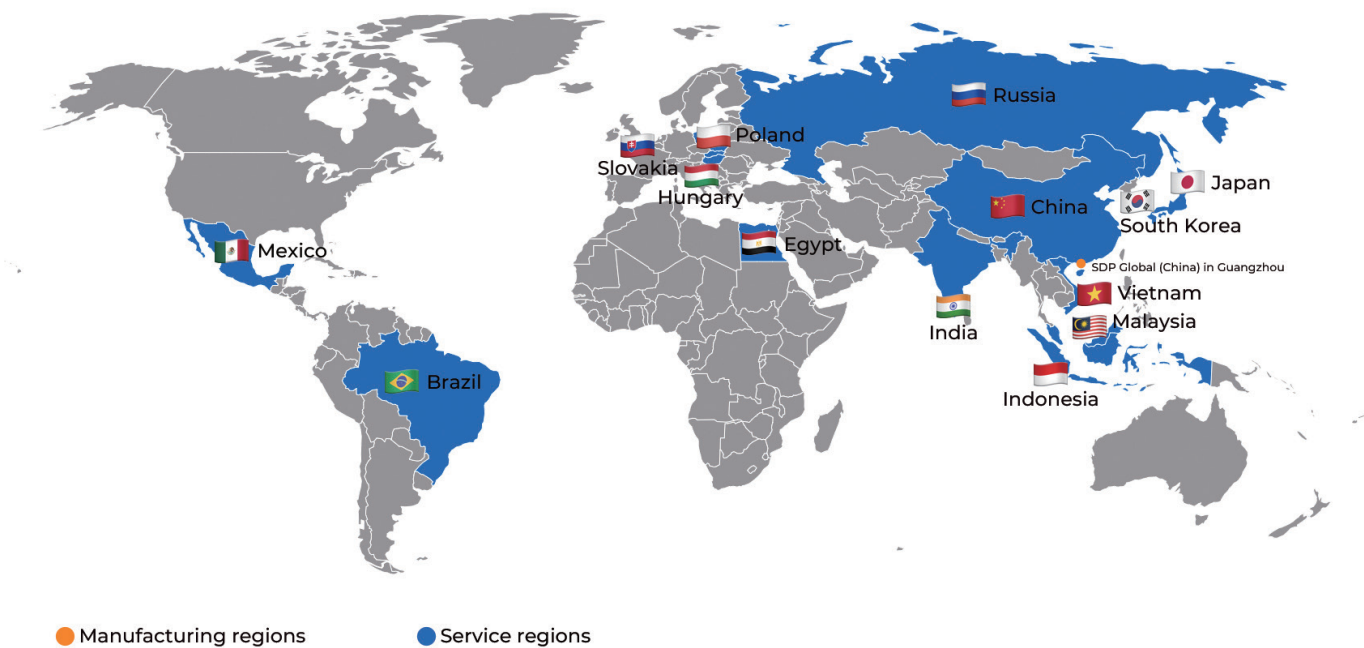
Reliability Laboratory Testing Equipment



3.4 Improving Customer Satisfaction

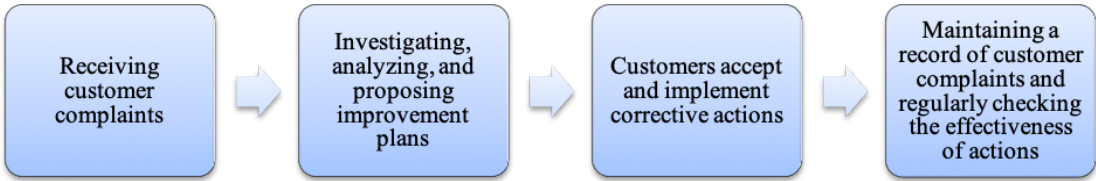
• Product sales and service areas

Our products are exported to 13 countries and regions around the globe. Our clientele includes globally renowned manufacturers of electronic products, telecommunications equipment suppliers, automotive manufacturers, and other leading industry players. SDP China has established long-term, stable partnerships with these clients, providing them with high-quality products and professional technical services.



• Customer complaint handling process

To obtain more objective and valuable data support, and to promptly understand customer evaluations and needs regarding our products and services, we have established a rapid and effective Customer Complaint Handling Procedure. This procedure enables us to quickly identify issues and make improvements to prevent the recurrence of complaints, thereby maintaining optimal quality and customer satisfaction.



Detailed customer complaint handling procedure

1. Receiving complaints: When a customer complaint or request occurs, customer service personnel must verify the content of the complaint or request, relay the information or preliminary analysis results to the relevant departments, and log the complaint details in the Customer Complaint Management System (AERB System).
2. Corrective actions: The responsible department conducts an investigation and analysis, proposing feasible corrective actions as part of an improvement plan. If the cause is unclear and effective measures cannot be immediately identified, a progress update on the analysis should be provided to the customer.
3. Case closure: A case can only be closed after the customer accepts the corrective action report. The Company maintains a record of customer complaints, and the quality management system controls the timeliness of handling complaints monthly. Quality meetings are held regularly to check the effectiveness of the implemented corrective actions. The Company requires that complaints be communicated to the relevant department within 24 hours and aims for a resolution rate of over 90% within seven working days.

• Customer satisfaction survey

Each year, the Company conducts customer satisfaction surveys to comprehensively evaluate customers' satisfaction with our products and services, and to monitor system performance for the purpose of continuous improvement. At the end of each year, the customer service department sends out satisfaction survey forms via email to key customer contacts. The survey covers various aspects including quality, engineering technology, service, and delivery. The response rate for these surveys must not fall below 70%. Once customer feedback is received, the customer service department organizes, compiles, and analyzes the results. For any areas where customer satisfaction is low, the responsible departments proactively investigate the reasons for the dissatisfaction. Subsequent improvement meetings are held with relevant departments to outline and plan focused improvements. These are followed by tracking and verifying the effectiveness of these actions and providing feedback to the customers.

Customer satisfaction surveys are a crucial means for the Company to build strong relationships with clients and enhance customer loyalty. By participating in the surveys, customers have the opportunity to express their opinions and suggestions, assisting the Company in identifying issues, enhancing service quality, and increasing customer satisfaction and trust.

04 ENVIRONMENTAL RESPONSIBILITY

The Company shall comply with laws and regulations, implement pollution prevention, improve resource utilization, use green products, utilize green energy, and build green factories.



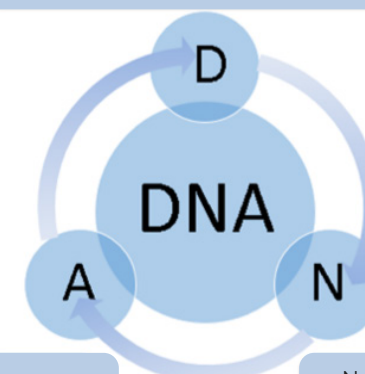
4.1 Environmental Safety Policies

To achieve the above goals, the Company pledges to:

- Comply with and implement national and local laws and regulations, actively follow international conventions, and meet customer standards;
- Strengthen the EHS awareness of stakeholders and establish effective communication channels;
- Implement energy-saving and emission-reduction programs to reduce pollutant emissions, improve resource utilization, and practice a low-carbon lifestyle;
- Implement risk management to achieve the goal of “zero accidents”;
- Focus on employee health to achieve the concept of “zero occupational injuries”;
- Adhere to the EHS management system and continuously improve the EHS ecosystem;
- Use green products, utilize green energy, and build green factories;

The Company will thoroughly execute the above environmental safety and health policies and communicate them to all personnel working for or on behalf of the organization, ensuring all employees understand and making it public to the society.

D-Dedication: The Company advocates for contributions from all departments and personnel towards energy conservation, emission reduction, safe production, and health protection.



A-Aim: The Company aims to establish green factories and zero-accident factories.

N-Norm: The Company fully implements the environmental, health, and safety (EHS) system standards throughout the product lifecycle.

4.2 Hazardous Substance Regulation

4.3 Clean Production Management

The QC080000 Hazardous Substance Process Management System, formulated by the International Electrotechnical Commission (IEC), is designed to manage hazardous substances in compliance with the ROHS instruction through complete, systematic, and transparent process management and control to achieve the goal of reducing hazardous substances. Based on the QC080000 standard, the Company identifies, controls, monitors, and reports possible hazardous substances in products and raw materials from manufacturers, suppliers, repairers, and maintainers, enhancing supply chain management and control, and improving the transparency, reliability, and quality of the supply chain to ensure products meet relevant environmental laws, regulations, and customer environmental requirements.



1. Identification of risk and opportunity:

The Company identifies and evaluates the risks and opportunities of units within the system scope, plans countermeasures, and establishes target management plans for the unit.

2. Management of direct and auxiliary material:

Before the introduction of direct and auxiliary materials, GP information, including RoHS test reports, hazardous substance declarations, and MSDS, must be submitted; materials are included in the hazardous substance management list, which is regularly updated and reviewed.

3. Supplier management:

The Company has developed supplier management and procurement procedure documents, requiring new suppliers to pass the Green Parts (GP) review before becoming alternative mass production suppliers. Suppliers must sign the Letter of Commitment for Suppliers on Not Using Environmentally Hazardous Substances and provide RoHS test reports. New factories, new production lines, and new processes must pass the GP review and certification before mass production.

4. Monitoring of hazardous substance:

The Company develops the IQCGP Testing Procedure Document to regularly conduct random inspections of hazardous substances in raw materials provided by suppliers.

5. Education and training:

To keep up with the latest trends in international and domestic environmental regulations and customer requirements, the Company annually invites external institutions to provide hazardous substance knowledge training for employees and suppliers. In 2023, SDP China had a total of 252 participants in hazardous substance control training.

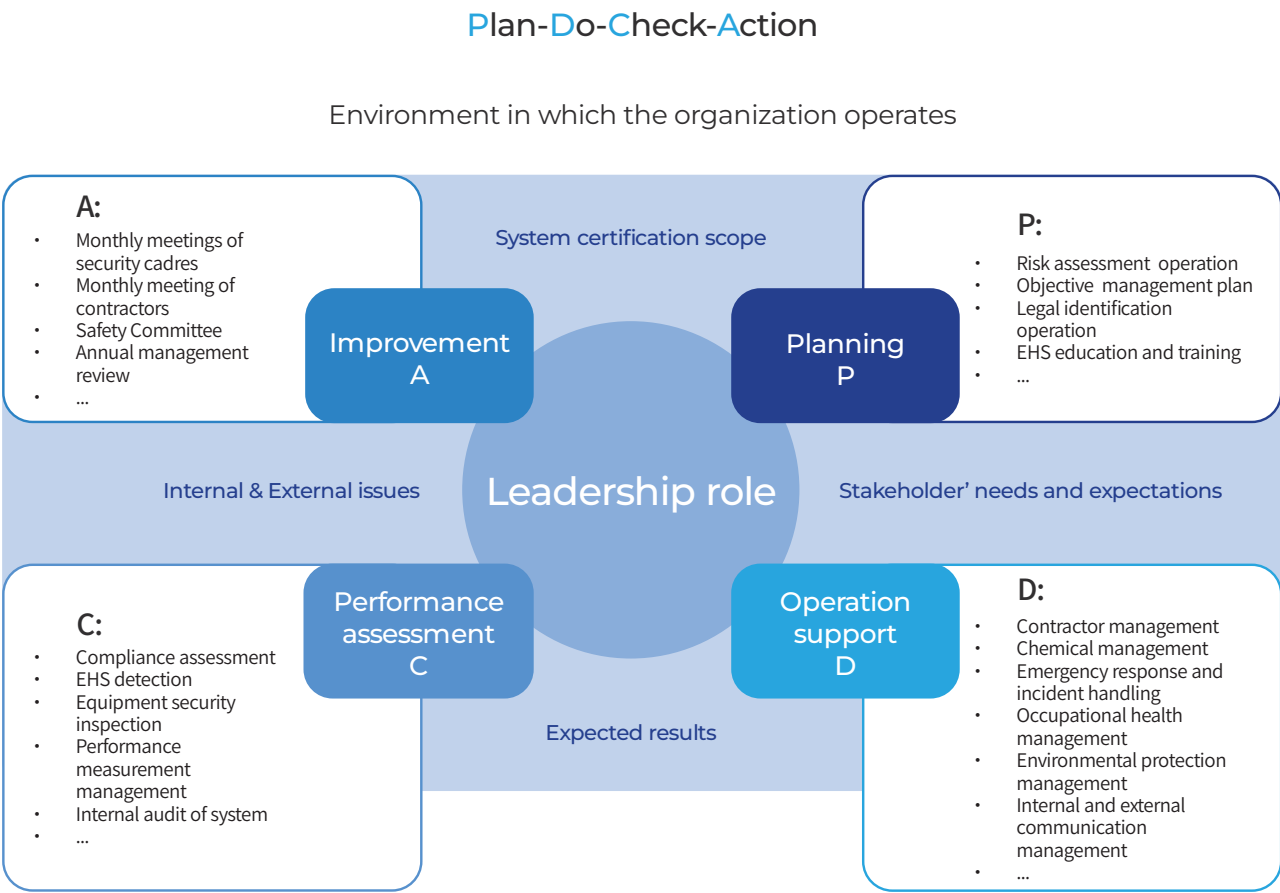


The Company organized employee training on hazardous substance management knowledge

Environmental management mechanism

The Company has established and implemented an environmental management system based on the ISO 14001 international standard, prepared, and published the EHS Management Manual. Through a systematic environmental management mechanism, the Company strictly complies with environmental laws and regulations, effectively controlling the environmental pollution risks during the production process. In 2019, the Company obtained the ISO 14001 Environmental Management System Certification.

Description of Operation of the EHS Management System



- 1. Risk assessment: The Company establishes and maintains the Environmental Factors and Hazard Identification, Environmental Impact Analysis, and Risk Assessment Procedure. The assessment scope includes environmental factors in activities, products, or services to promote necessary control measures to reduce environmental impacts.
- 2. Legal identification: The Company obtains and identifies applicable laws and regulations, grasps the environmental requirements of stakeholders, and conducts compliance evaluations during the operation of the environmental system to ensure compliance with laws and regulations.
- 3. EHS target management plan: To better promote the sustainable development of the enterprise, the Company starts from energy conservation, emission reduction, greening, recycling, and greenhouse gas reduction, formulates and improves the EHS target indicators and management plans to reduce environmental impact and enhance the Company's EHS performance.
- 4. According to statistics, from 2021 to 2023, the Company invested RMB246 million in environmental protection, which was used for the renovation and operation of environmental protection facilities. The compliance rates of wastewater and exhaust gas discharge were both 100%, with no incidents of economic or non-economic penalties for violating environmental laws and regulations, achieving excellent environmental performance.

Environmental Performance Data of the Company from 2021 to 2023

Environmental Indicators	2021	2022	2023
Environmental protection investment (RMB'00 million)	0.71	0.87	0.88
Total wastewater discharge (T/year)	3,800,949	3,146,599	5,407,403
Water resource consumption (M³/year)	4,497,840	3,728,402	5,705,499
Sewage treatment compliance rate (%)	100%	100%	100%
Exhaust gas emission compliance rate (%)	100%	100%	100%
Total power consumption (KWH/year)	863,347,858	800,679,229	982,166,605
Natural gas (M³/year)	2,349,598	2,343,990	3,150,822
Diesel (KG/year)	1,407	1,202	895
Wastewater discharge per unit product (T/M² product)	0.361	0.452	0.534
Power consumption per unit product (T/M² product)	82.09	115.09	96.98



The Company obtained the ISO 14001 Environmental Management System Certification for the first time in 2019 and completed the recertification in 2022.

Water is one of the sources of our life and a valuable resource necessary for our survival and development.

• Water conservation

To better utilize and protect water resources and improve water use efficiency, the Company has established a water-saving leadership group and constructed a scientific and reasonable water-saving management system to implement special water-saving management measures.

1. Water-saving advocacy and employee awareness are strengthened:

Water-saving posters are posted in public places to carry out water-saving publicity and education activities, and to raise employees' awareness of water conservation.

2. Water-saving management systems are improved and responsibility systems implemented:

Water-saving posters are posted in public places to carry out water-saving publicity and education activities, and to raise employees' awareness of water conservation.

3. Water-saving technological transformation and rational water use:

The Company, in accordance with national standards GB/T24789-2022 and GB17167-2006, is equipped with water measurement devices. Currently, the first-level measurement rate is 100%, the second-level measurement rate is 96.93%, and the third-level measurement rate is 93.77%, meeting the requirements of a water-saving enterprise. The Company has achieved online monitoring of water use in various areas, improving the accuracy of water use statistics.

4. Energy consumption analysis are conducted and water-saving systems improved:

The Company's water management department regularly analyzes and assesses energy consumption in various water use areas. Based on statistical results, the department promotes resource-saving measures accordingly. Dedicated personnel are responsible for inspecting water-saving work, eliminating safety hazards by addressing leaks, drips, and spills promptly.

• Wastewater treatment and reuse

During the production process, the Company generates domestic sewage and various types of industrial wastewater, including organic cleaning wastewater, etching wastewater (containing copper), inorganic cleaning wastewater, wastewater from CVD exhaust gas treatment systems, wastewater from stripping exhaust gas treatment systems, wastewater from acid-alkali exhaust gas treatment systems, air conditioning humidification wastewater, RO concentrate, and organic wastewater from developer and stripper recovery workshops.

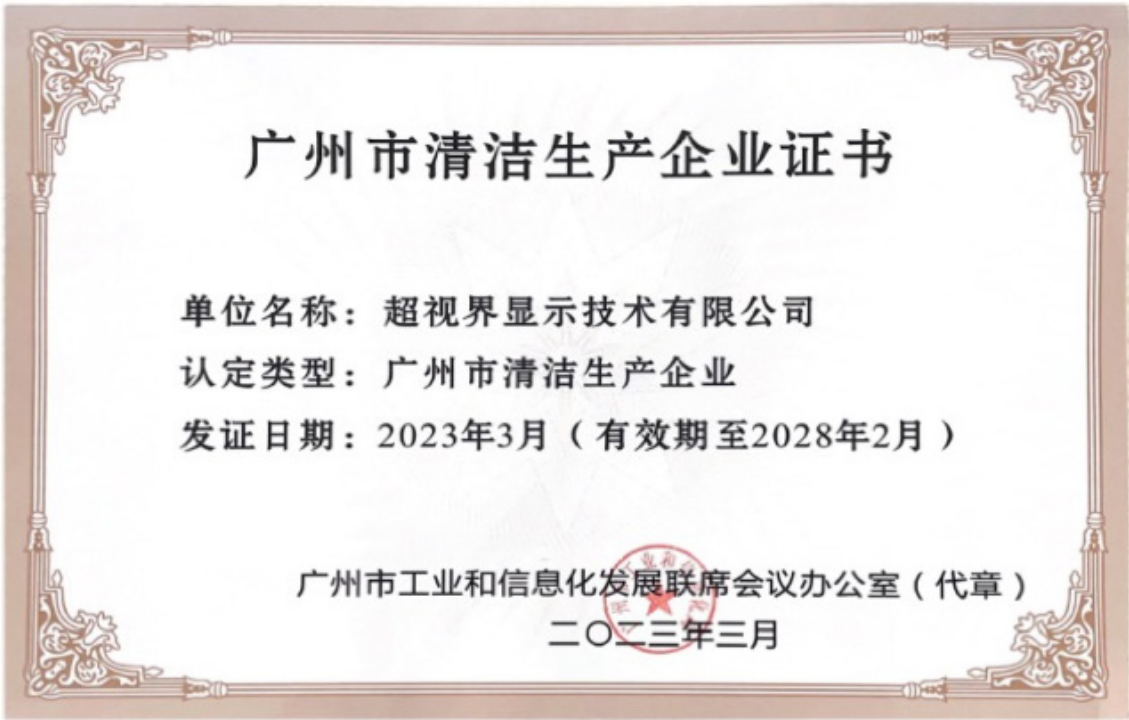
The Company has invested RMB800 million to establish eight wastewater treatment systems. Currently, production wastewater and rainwater are separated. Rainwater is discharged into municipal rainwater pipes through the factory's rainwater pipes. Domestic sewage from the factory is filtered through septic tanks before being discharged into municipal sewage networks. Various types of production wastewater are collected and treated in the eight treatment systems: photoresist wastewater treatment system, organic wastewater treatment system, etching wastewater pretreatment system (containing F, P), etching wastewater pretreatment system (containing copper), color film pigment wastewater pretreatment system, and inorganic wastewater treatment system. Wastewater treated at the sewage treatment station is reused in the power station's filtered water tank and then processed by RO membranes for production use. The remaining wastewater is discharged to the Yonghe sewage treatment plant for further treatment before discharge.

Among these eight wastewater treatment systems, three recycling systems—namely the inorganic wastewater treatment system, photoresist wastewater treatment system, and organic wastewater treatment system—can recover pure water, with a daily recycling volume of 21,772 M³/d and a recycling rate of 83.11%.

Implementation project	Recycled water volume (M ³ /d)	Detailed description
Inorganic wastewater treatment system	11,531	Activated carbon filtration + reverse osmosis
Photoresist wastewater treatment system	7,210	Biological treatment + MBR + reverse osmosis
Organic wastewater treatment system	3,032	Biological treatment + MBR + reverse osmosis
Total	21,772	Pure water usage: 26,196; recycling rate = 83.11%

Additionally, the Company has actively invested in establishing environmental treatment systems, including the etching wastewater treatment system II and the etching waste liquid evaporation concentration treatment system. The etching wastewater treatment system II is efficient, safe, and environmentally friendly, designed to treat high-concentration industrial wastewater with a treatment capacity of no less than 1,200 m³/d. The treated residue moisture content will be less than 40%. The copper etching waste liquid evaporation concentration treatment system has a total treatment capacity of no less than 40 CMD, with a liquid concentration rate of 80% and a solid concentration rate of 65%. The condensate discharge COD is less than 10,000 mg/L. This system uses advanced evaporation concentration technology and automated control to effectively separate and concentrate hazardous substances in the waste liquid.

MBR Sewage Treatment Facilities and Activated Carbon Tower Absorption Facilities



From 2020 to 2022, the Company conducted clean production audits and obtained the Guangzhou Clean Production Enterprise Certificate.

4.4 Climate Change Response

Climate change is one of the most severe challenges facing global development. Leaders of multiple countries jointly signed the Paris Agreement, committing to take action to curb global warming. The EU and other developed countries have pledged to achieve carbon neutrality by 2050. As the world’s largest GHG emitter, China aims to become a leader in response to climate change. At the United Nations General Assembly in September 2020, President Xi Jinping announced that China aims to peak carbon dioxide emissions before 2030 and strive to achieve carbon neutrality by 2060.

• Our carbon reduction actions

During production, the Company consumes electricity, natural gas, and diesel, which are key sources of greenhouse gas emissions. To reduce energy consumption and achieve greenhouse gas emission reductions, the Company conducted a greenhouse gas emissions audit in 2022. By reviewing and analyzing carbon emission data, the Company re-evaluated and reconsidered potential energy-saving and emission-reduction opportunities from the perspectives of processes, equipment, and management. According to the carbon audit results, the total greenhouse gas emissions in 2023 were 566,400 tons, with a unit product emission of 0.056 TCO2/M², a 15% decrease compared to 2022.

Environmental Indicators	2021	2022	2023
Total power consumption (KWH/year)	863,347,858	800,679,229	982,166,605
Natural gas (M³/year)	2,349,598	2,343,990	3,150,822
Diesel (KG/year)	14.07	12.02	895
Scope 1 GHG emissions (TCO2-e/year)	4,702.75	4,690.95	6,303.21
Scope 2 GHG emissions (TCO2-e/year)	501,605.11	456,627.36	560,129.61
Total scope 1 and 2 GHG emissions (TCO2-e/year)	506,307.85	461,318.31	566,432.83
GHG emissions per unit product (TCO2-e/M² product)	0.048	0.066	0.056

Note: According to data released by the Ministry of Ecology and Environment, the national power factors for 2021-2023 are 0.5810, 0.5703, and 0.5703 KGCO2/KWH, respectively.



SDP China 2022 Third-party Carbon Verification Statement



SDP China 2023 Third-party Carbon Verification Statement

Photovoltaic power projects are clean energy projects with minimal environmental impact. During the operation of the project, no noise, exhaust gas, wastewater, or other pollutants are generated, and it effectively reduces the consumption of fossil fuels and greenhouse gas emissions, which is significant for improving environmental quality and response to climate change. The Sakai photovoltaic power project is being constructed in three phases: Phase I, located on the rooftop of the plant, with an installed capacity of 25MW, was put into operation in July 2020 and achieved a power generation of 29,488,800 KWH in 2023. Phases II and III, located in the parking lot, on building rooftops, and surrounding green areas, have installed capacities of 6.9MW and 7MW, respectively, and are currently under construction and planning.



SDP China Photovoltaic Power Project

• Intelligent energy management system

To effectively control energy consumption, improve energy efficiency, and reduce greenhouse gas emissions, the Company has established a comprehensive intelligent energy management system based on the ISO 50001 national standard, which includes monitoring, analysis, and improvement processes. This system includes hardware equipment, software systems, sensors, and network connections. It can monitor the operational status of energy equipment, achieve effective energy regulation and control, and also collect, transmit, process, and analyze energy data. The system supports KPI management and big data simulation modeling, providing relevant data and information to decision-makers to support decision-making and implementation.

• AMHS automated logistics system

The primary material for TFT-LCD panels is glass. The size of the glass not only changes the structure of the transportation equipment but also is closely related to the entire transportation mode. The Company uses an AMHS automated logistics system, which includes automated storage machines, high-altitude CST conveyor belt systems, clean inter-floor elevators, and glass cassette loaders. These automated devices provide high-speed automated transfer efficiency, reduce the waste of electricity, air pressure, oil, and other energies, and improve the stability of product production yield, which is beneficial for cost reduction and efficiency improvement.

4.5 Environmental Protection Activities

To enhance the Company’s social image and value, promote environmental protection, strengthen team cohesion among employees, and contribute to sustainable social development, SDP China actively organizes employees to participate in environmental public welfare activities, contributing to environmental protection and social progress. Since 2021, the Company has continuously carried out a series of environmental protection-related publicity activities each year.

In 2020, to inspire employees’ passion for afforestation, raise their awareness of environmental protection, promote the greening of company land, expand green plant resources, and improve the ecological environment, the Company launched the World Environment Day tree planting activity with the theme “Time for Nature—Care for Nature, Time is of the Essence.”



In 2021, the Company organized a World Earth Day stall publicity activity to convey the concepts of green, environmental protection, and low-carbon living to society.



In April 2023, on World Earth Day, the Company held an environmental knowledge quiz event with the theme “Earth of All Beings,” actively raising employees’ environmental awareness and promoting sustainable development of the plant environment.



05 EMPLOYEE CARE

SDP China adheres to a people-oriented approach, pays attention to the development of employees, encourages employees to forge ahead, innovate and break through, and pursues the common growth of the enterprise and its employees.



5.1 Our Employees

5.2 Protection of Employee Rights and Interests



Our Employees

We uphold an open, diverse, and inclusive culture, respecting employees' career choices and treating all employees equally without discrimination based on gender, age, race, religion, and other factors. We respect and protect employees' rights to freely associate. We adhere to humanitarian principles, prohibiting child labor and forced labor, protecting employees from illegal harassment, and emphasizing reproductive and health protection for women. We strive to provide a development platform where employees can achieve their career aspirations and life goals.

As a crucial source of enhancing competitiveness and innovation for the enterprise, employees are valuable assets. Employees who take pride in and are highly committed to their work contribute to improved company performance and shape the brand image. SDP China is committed to actively fostering a positive workplace culture and environment to attract more talented individuals. As of the end of 2023, the Company had 2,558 employees, with women comprising 27% of middle management, 171 employees from ethnic minorities, and 2 disabled workers. Our excellent human resources lay the foundation for sustainable development of the Company.

2021-2023 Human Resource Performance Data Table

Human Resource Management	2023 Performance Data
Total number of employees (person)	2,558
Ratio of male and female employees (%)	75:25
Age ratio of employees (under 30 years old/30-50 years old/over 50 years old)	65:33:1
Number of minority employees	171
Number of employees with disabilities	2
Proportion of employees with educational background (bachelor's degree or above/high school or above/junior high school and below)	32:60:7
Proportion of middle-level and above female managers in management staff (%)	27%

• Employee’s communication

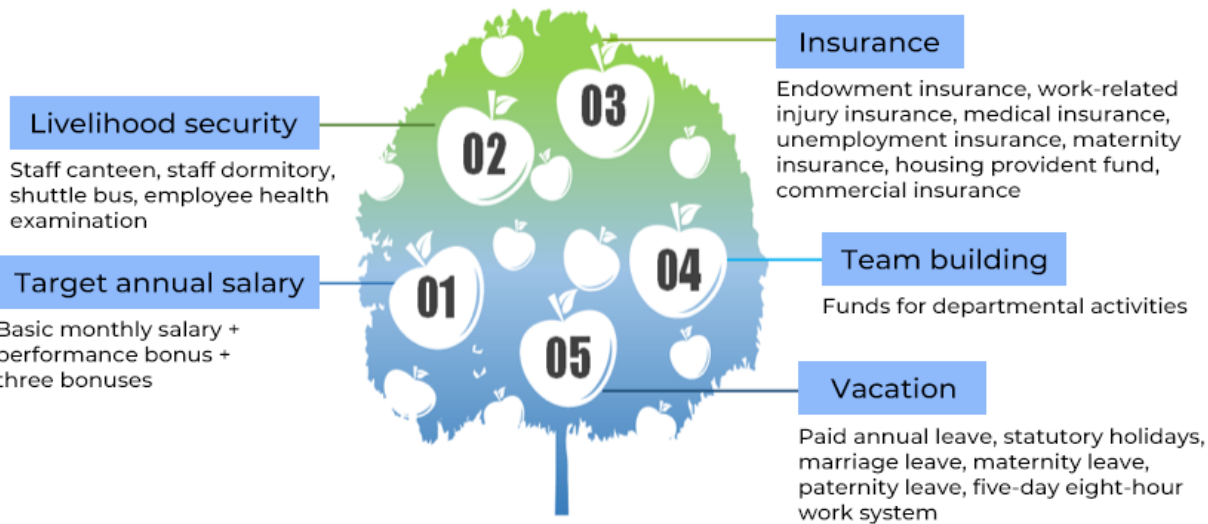
SDP China encourages active communication between employees and the Company. If employees have any suggestions or opinions, they can discuss them with their department manager or provide feedback through suggestion boxes. The Company arranges for employee relations specialists to promptly meet with new employees to help them quickly adapt to their new work environment and life. If employees have objections to performance assessment results, work arrangements, or handling outcomes, they can appeal, and the Company will deal with them fairly in accordance with the Appeal Management Process to ensure the legitimate rights and interests of the employees.

• Compensation and benefits

SDP China adheres to the principle of fair compensation and benefits, providing employees with a competitive compensation and benefits system in the industry. The Company continuously improves its compensation and benefits policies, specifying clear regulations on salary structure, living security, holidays, insurance, and team building to effectively safeguard employees' compensation and benefits levels. Additionally, the Company conducts annual “Outstanding Employee” performance evaluations and adjusts salaries based on the Company's profitability and annual performance assessment results of employees. According to statistics, in 2023, the average wage for front-line employees was 2.8 times the local minimum basic wage, with an average salary of RMB6,411.

In accordance with the requirements of national laws and regulations, SDP China provides employees with basic benefits such as social insurance (endowment insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance), housing provident fund, etc. For example, the Company purchases overseas business trip insurance (including accident, medical treatment, hospitalization benefits, etc.) for overseas business trip employees; The Company also provides a comprehensive maternity protection system for female employees to ensure that they enjoy maternity leave benefits that are not lower than those prescribed by law; SDP China also implements systems for “Employee Hardship Assistance” and “Natural Disaster Relief Fund”. When employees suffer from major disasters and major illnesses due to their families, the Company will provide assistance with an upper limit of RMB2,000 to RMB20,000 according to the level of disaster (level 1 to level 4).

Good compensation and benefits solve the worries of employees and improve the attractiveness and cohesion of the enterprise to talents. During the period from 2021 to 2023, the labor contract signing rate of employees was 100%, and the employee turnover rate was gradually decreased to 5.13%.



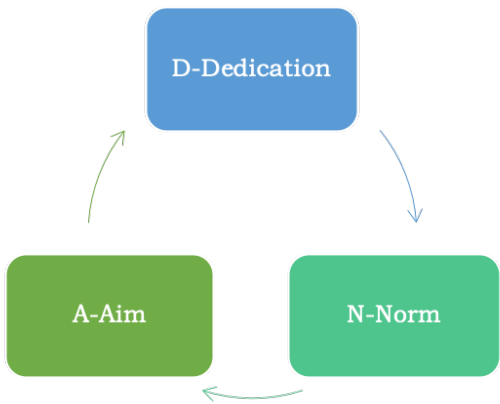
Compensation and benefits provided by SDP China for employees

2021-2023 Human Resource Salary Data Statistical Table

Human Resource Indicator Data	2021	2022	2023
The ratio of the average salary of frontline employees to the local minimum basic wage	2.9:1	2.6:1	2.8:1
Employee turnover rate (%)	5.87%	7.15%	5.13%
Growth rate of average employee compensation (%)	8%	10%	3%
Ratio of compensation for men and women in the same position	1:1	1:1	1:1
Labor contract signing rate (%)	100%	100%	100%
Average salary of frontline employees (RMB)	6,662	6,025	6,411

5.3 Occupational Health and Safety

• SDP environmental safety and health policy



D-Dedication: We advocate all personnel of the enterprise to contribute to energy conservation and emission reduction, safe production and health protection.

N-Norm: We fully implement the environmental, safety and health system standards throughout the product life cycle.

A-Aim: We aim to build a green factory and a zero-accident factory.

• OHS management system

SDP China always puts the health and safety of employees in the first place in all work. The Company has established and implemented an OHS management system in accordance with international standards ISO 45001 and strengthened the identification, evaluation, control, monitoring and continuous improvement of occupational health and safety risks. In 2019, the Company obtained the ISO 45001 occupational health and safety management system certification, marking the Company's gradual development to a scientific, standardized and institutionalized management model in health and safety management.

During the period from 2021 to 2023, the Company invested a total of RMB36 million in safety management and facility renovation, with zero fatal accidents and occupational disease cases, and achieved good occupational health and safety performance.

2021-2023 Human Resource Salary Data Statistical Table

Safety Performance Indicators	2021	2022	2023
Safety investment (RMB'00 million)	0.11	0.13	0.12
Lost time injury rate per one million working hours	75.84	45.82	84.01
Number of fatalities in the line of duty (person/year)	0	0	0
Number of occupational diseases (per year)	0	0	0
Health examination coverage rate of occupational disease posts (%)	100%	100%	100%

OHS management and control measures

1. Hazard source assessment and prevention:

The Company has formulated a comprehensive production safety risk assessment process, organizes various functional departments to identify and evaluate hazard source every year, effectively assesses the key points of safety hazards in different environments or different periods, formulates operation control processes and improvement measures around important risks, and effectively implements and strengthens safe production management.

2. OSH is a standard document:

The Company has established an OHS documented management system based on the ISO 45001 international standards, optimized and improved the system documents based on the results of hazard source assessment, and continuously updated and improved in the process of safety management.

3. Safety training and training:

In order to strengthen the occupational health and safety training of employees, the Company has formulated the Environmental Protection, Safety and Health Education and Training Management Specifications, which includes basic knowledge of production safety, safe production rules and regulations, rights and obligations of employees in safe production, hazard protection knowledge, fire safety training, etc. New employees and transferred employees should receive three-level (company-level, workshop-level, team-level) safety education before they can take up their posts. In 2023, SDP China organized 1,545 new employees to receive three-level education and training, covering 100% of new employees.



Newly recruited employees of SDP China participated in pre-job safety training.

4. Safety inspection and supervision:

The Company regularly supervises, inspects and improves the workplace environment, the behavior of operators, the procurement, transportation, storage and use of hazardous chemicals, and cooperates with the on-site audit of the district emergency management bureau and local police stations to ensure the standardization and compliance of chemical management.

5. Emergency plan and drill:

In order to ensure the personal and property safety of employees, the Company has prepared an emergency plan in accordance with the requirements of safety laws and regulations, focusing on possible emergencies in the process of production and operation. The Company formulates drill plans every year, carries out emergency drills, and continuously improves the professional knowledge and emergency response capabilities of various emergency organizations.

6. Accident injury and prevention treatment:

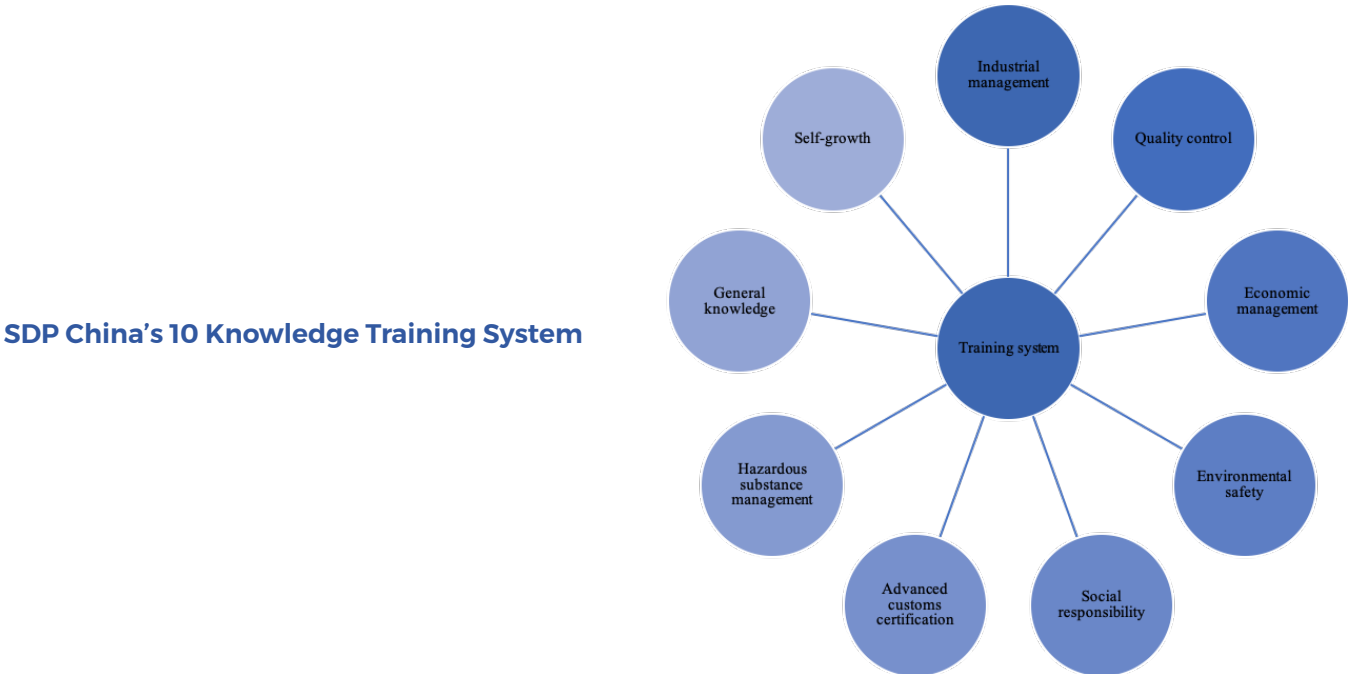
The Company adheres to the “four principles of not letting go” (that is, not letting go of the investigation and related rectification of the cause of the accident, the responsible personnel, the rectification measures, and the personnel education), and implements a comprehensive set of accident injury and prevention treatment measures: In the event of an accident, the accident unit shall immediately report the details to the supervisor and the disaster prevention center, and ensure that the scene and evidence are properly protected; The disaster prevention center will respond quickly and activate an emergency response team to deal with the accident and rescue the injured; After the accident is handled, the environmental safety and relevant units will carry out an investigation, restore the accident process, analyze the causes, and clarify the responsibility; The accident unit shall hold a review meeting within 48 hours to form an improvement plan and punish the person responsible. In order to avoid the recurrence of similar accidents, the accident unit will carry out the relevant measures to other units in parallel, and the improvement unit will implement the improvement plan and report the results, and the environmental safety unit will be responsible for tracking and confirming. In addition, the safety committee invites typical accident units to share their improvement progress and smoothing measures on a quarterly basis.

7. Monitoring of working conditions:

In order to provide employees with a safe, healthy, clean and comfortable working environment, the Company regularly carries out annual testing of occupational hazards in the workplace every year, improves the relevant operating procedures for safety and health management, emergency rescue measures for occupational disease hazard accidents, organizes employees to conduct annual occupational health examinations, and provides additional physical examinations for key positions with occupational diseases, and strives to reduce the risk of occupational diseases. In 2023, the occupational health examination rate of SDP China was 100%, and no suspected occupational disease incidents occurred.

5.4 Training and Career Development

SDP China pays attention to the personal development of employees, and provides employees with a variety of knowledge training and broad career development space. According to the Company's operation and development direction, customer needs and suggestions, as well as the main processes and tasks of the organization, SDP China has set up a training system covering ten categories, including industrial management, quality control, production management, economic management, environmental safety, corporate social responsibility, advanced customs certification, hazardous substance management, general knowledge, and self-growth, to provide a platform for rapid growth for employees at different levels and in different positions. The Human Resources Department reviews the implementation of education and training on a monthly basis, audits and counsels the implementation of education and training in various departments on a quarterly basis, and follows up on projects to be improved. According to statistics, during the period from 2021 to 2023, the total training hours for employees reached 253,394 hours. In 2023, the average training hours per employee per year were 32.8 hours.



2021-2023 Employee Training Performance Statistical Table

Indicators and Data	2021	2022	2023
Total annual training hours for employees (hours/year)	76,452	93,058	83,884
Employee Training Investment (RMB'0,000)	7.67	11.67	7.63
Total number of training courses (pcs/year)	795	863	1,126
Average training hours for employees (hours/person/year)	29	38	33
Employee performance appraisal coverage (%)	100%	100%	100%

Talent development plan

According to the Company's development direction and talent cultivation strategy, SDP China has set up personnel development plans for employees at different levels, including direct personnel development plans, indirect personnel development plans and promotion supervisor course plans, so as to continuously help employees at different career stages improve their professional quality and clarify their career development direction. SDP China advocates that employee development is the driving force of the organization's development, and the Company draws and implements a roadmap on the basis of the talent development plan, covering five modules, including annual training plan formulation, training implementation, training record keeping, training effectiveness assessment, and training effectiveness application, which effectively promotes the development and growth of the Company's talent team.

Preparation for promotion to supervisor - promotion to supervisor course plan

Engineer & Manager - indirect personnel development plan

Direct personnel – direct personnel development plan

SDP China Talent Development Plan



SDP China organized employees to participate in on-site training for talent development

5.5 Cultural and Sports Activities for Employees

The Company adheres to the concept of people-oriented, actively creates a happy workplace culture for employees, carries out a rich and colorful culture, is committed to realizing the health and happiness of employees, and strives for the common development of the enterprise and employees. SDP China advocates work-life balance, organizes a variety of cultural and sports activities such as outdoor development, ball games, marathons, etc., actively shows the demeanor of employees, effectively enriches the amateur cultural life of employees, supports employees to improve their thinking activity, creativity, imagination and willpower from rest, entertainment and life, and further enhances their sense of belonging and centripetal force.



SDP China holds a birthday party for employees every month, reflecting the humanized management and care of SDP China for employees.



SDP China trade union team building and development activities enabled employees to go into nature and enjoy the idyllic scenery.



The Company organized SDP China's first family garden party, which was not only a gathering to enhance the emotional exchange between parents and children, but also an unusually grand internal gathering of the corporate family.



The SDP China Staff Basketball Tournament has been held since 2020, and the participating teams have continued to grow, and the friendship between the participating teams has been continuously enhanced, and everyone has fully experienced the charm and spirit of basketball.



On the Women's Day, the Company held the "Goddess Day" to provide gifts and support to female employees.



Reader Feedback

Dear readers,

Thank you very much for taking the time to review the 2023 Environmental, Social and Governance (ESG) Report of SDP Global (China) Co., Ltd. If you have any comment or advice on this Report, please fill in the feedback form below and send it to us by post, fax or email. We are very grateful for your valuable comments!

 Name:

 Tel:

 Email:

1. Which sections do you think provide you with important information?

☐ About SDP China

☐ ESG Governance

☐ Product Responsibility

☐ Environmental Responsibility

☐ Employee Care

2. How do you evaluate this Report?

Readability	☐ Good	☐ Fair	☐ Poor
Entirety	☐ Good	☐ Fair	☐ Poor
Pertinence	☐ Good	☐ Fair	☐ Poor
Design	☐ Good	☐ Fair	☐ Poor
Overall impression	☐ Good	☐ Fair	☐ Poor

3. What advice do you have for our report for the next year?

4. Please contact us:

Official website: <http://www.sdptec.com/>
Tel.: +86-020-32828888
Email: mailbox@sdptec.com

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The logo consists of the letters 'SDP' in a bold, italicized, sans-serif font. The letters are white and stand out against the blue background.

SDP

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SDP Global (China) Co., Ltd.