

Environmental, Social and Governance Report

Established in 2002, Nexion Technologies Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) has become one of the leading information and communication technology solution providers in Southeast Asia. Over a decade of development, it transformed from a system integration service provider to a regional provider of cyber infrastructure solutions. The Group is now developed as a well-established information and communication technology solution provider which focuses on the provision of a variety of cyber infrastructure and cyber security solutions.

In addition to striving for the interest of its shareholders, it also holds the environment, society, different stakeholders and its employees, in high regard. The Group understands the importance of undertaking its social responsibility, which has always been one of its objectives for achieving sustainable development.

The Group is pleased to present the Environmental, Social and Governance Report 2018 (the “ESG Report”) to provide an overview of our Group’s management of significant issues affecting the operation, including environmental, social and governance issues.

PREPARATION BASIS AND SCOPE

This ESG Report is prepared in accordance with Appendix 20 to the Rules of Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) — Environmental, Social and Governance (“ESG”) Reporting Guide, which covers the period from 1 January 2018 to 31 December 2018 and has complied with “comply or explain” provision in the GEM Listing Rules. This report covers the Company and its principal subsidiaries, being primarily engaged in provision of cyber infrastructure solutions services and research and development, and provision of cyber security solutions services. Our Group will continue to optimise and improve the business operation according to the latest disclosure requirements. The directors of the Company confirmed that the Company complied with all applicable provisions as stated in the Appendix 20 to the GEM Listing Rules and effective ESG risk management and internal control systems are in place.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders have been involved in regular engagement sessions to discuss and to review areas of attention which will help the business to meet its potential growth and prepare for future challenges.

STAKEHOLDERS’ FEEDBACK

The Group welcomes stakeholders’ feedback on our ESG approach and performance. Please give your suggestions or share your views with us through the website at <http://nexion.com.hk/contact-us/>.

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SUSTAINABILITY MISSION

Our mission is to provide the cyber infrastructure solutions services and research and development and cyber security solutions services together with contributing to the sustainable development of society. We aimed at creating the sustainable lifestyle by the following ways:

- Green — The Group is putting strong effort on protecting the environment by using advanced and environmental friendly technologies, optimising the use of natural resources, and emphasising the importance of the environmental protection to the employees;
- Harmony — We truly believe the harmonious working environment could retain competent employees and improve the morale to the Group. The Group is promoting the importance of harmonious working environment by organising more employees' events and enhancing the employees' rights and benefits; and
- Technology — We review and enhance the existing technologies regularly and employ advanced technologies upon carrying out the principal businesses of the Group. It enables the Group to enhance the profitability and business efficiency and mitigate any potential adverse impact on the environment at the same time.

ENVIRONMENTAL ASPECTS

EMISSIONS

The Group's environmental policy encompasses our general approach towards controlling environmental impacts of our business operation. Our most significant environmental impact is the indirect emissions from energy consumptions in our office in Singapore and overseas business travelling by employees of the Group during the year. In line with our policy to minimise emissions, we have implemented energy saving practices which are mentioned in the sections headed "Waste management" and "Use of resources" so as to reduce the emissions. There are no relevant laws and regulations that have a significant impact on our Group.

Air Pollutant Emission

The major sources of the generation of nitrogen oxides ("NOx"), sulphur oxides ("SOx") and respiratory suspended particles ("RSP", also known as Particulate Matters ("PM")), which are the key air pollutants to the city, is mainly from the fossil fuel consumption, which are commonly used in motor vehicles, marine vessels, power plants and production factories. Up to the report date, the Group does not own any motor vehicles or ships and involve in the business activities with heavy use of the fossil fuel. The directors of the Company consider this aspect is not sufficiently material to be reported.

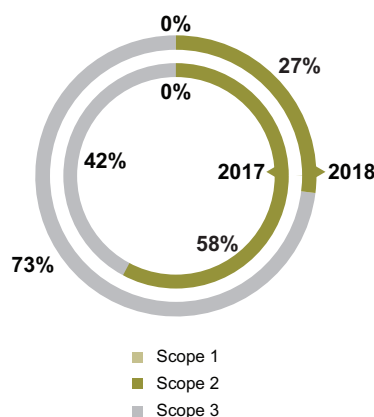
Greenhouse Gas ("GHG") Emission

Global warming is one of the major issue of climate change nowadays, which is closely associated with the GHG emission from the human activities. The risks associated with climate change are imminent. There is broad scientific and policy consensus that actions must be taken to further quantify and assess the risks. Our Group shares the same concerns with the scientists and the government. We put effort on utilising energy in a sustainable and environmental friendly way so as to reduce greenhouse gas emissions. We have adopted energy saving initiatives that are mentioned in the sections headed "Waste management" and "Use of resources".

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The total GHG emission data, which is the aggregate emission of Scope 1, 2 and 3 during the year, is illustrated as follows:

Total GHG emission (in Carbon dioxide "CO₂")



Notes:

- Scope 1 — Direct GHG emissions from operations that are owned or controlled by the Company;
- Scope 2 — Energy indirect GHG emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the Company; and
- Scope 3 — All other indirect GHG emissions that occur inside the Company, including both upstream and downstream emissions.

The Group considered the emission under Scope 1 is not sufficiently important to be reported because the Company does not involve in neither the combustion of fuels in stationary sources (excluding electrical equipment) to generate electricity, heating, cooling or steam nor mobile sources, such as motor vehicles and ships, controlled by the Company. Scope 2 emission is mainly from the electricity supplied by Hyflux Energy Pte Ltd to the office in Singapore. Scope 3 emission is mainly from the overseas business travelling by employees of the Group.

GHG Emission (in CO ₂)	Unit	2018	2017
Scope 1	Kg	0	0
Scope 2	Kg	14,046	22,072
Scope 3	Kg	38,145	15,789
		52,191	37,861

WASTE MANAGEMENT

In our daily operations, we generate domestic wastes, such as papers, aluminum cans and plastic bottles. We encouraged the employees to print and copy in double-side papers and have implemented recycling scheme for paper waste. For other domestic wastes, we plan to place recycling bins in our office and seek suitable recycling companies to collect the wastes. Our Group does not involve in production of hazardous wastes and the amount of non-hazardous wastes is not significant. We have greatly reduce the paper usage with our effort mentioned above, all papers, aluminium cans and plastic bottles are properly recycled instead of dumping with the unrecyclable wastes during the year.

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USE OF RESOURCES

Our Group advocates the importance of environmental protection and sustainability development to the employees. We adopted a number of environmental friendly practices as listed below:

- Using air conditioners with thermostats and sensors to maintain constant and reasonable room temperature;
- Replacing the traditional light bulb with light-emitting diode (“LED”) bulb, which gives higher efficiency;
- Encouraging double-side printing and photocopying;
- Reducing the use of petroleum related products, such as plastics and foam cups by replacing with biodegradable products;
- Decreasing the number of overseas business travelling by using video-conference or telephone-conference meetings instead; and
- Reminding the employees to turn off unnecessary electrical appliances.

During the year, purchased electricity accounted for one of the major energy uses of the Group. The total energy consumption from the purchased electricity was approximately 35,854 kWh (2017: 45,322 kWh). Since the Group does not own any motor vehicles or ships and its business activities do not consume a significant amount of water, in addition, our offices use the public water tap shared by the building, the directors of the Company considered that the gas, oil and water consumptions are not sufficiently important to report. With the adoption of the environmental friendly practices as listed above, the paper and electricity usage are reduced compared with that of prior year.

The Group purchases necessary hardware and software components from the third parties with the combination of its core technical know-how in the cyber infrastructure and cyber security projects. There is no material re-packaging of the hardwares and software components before the delivery to the customers. Therefore, the Group considered the amount of packaging materials used was insignificant.

THE ENVIRONMENT AND NATURAL RESOURCES

We are committed to the protection of the environment. We aim to save natural resources by enhancing the awareness among staff and reviewing the business operations efficiency regularly. Regarding the operation of our Group, we are not aware of any significant impacts of activities on the environment and natural resources. With the integration of policy and measures mentioned in sections headed “Waste management” and “Use of resources”, we strive to minimise the impacts of our business development on the environment and natural resources.

SOCIAL ASPECTS

Labour Rights

The Group is committed to complying with relevant labour standards and employment laws and regulations which are applicable to our business. During the year, the Group has no issue of non-compliance or violation in respect of labour affairs.

As employees are our paramount assets and foundation of success, the Group spares no effort in caring their needs and always strives for their benefits. Under our sound policy, an equal employment environment is fostered in which there is no workplace discrimination on the basis of ethnicity, nationality, age, gender, religion, disability, marital status, pregnancy, social orientation and other factors. The Group values the contribution of our employees and actively shares the achievements with them, by regularly reviewing its remuneration policy to ensure competitive remuneration packages, including basic salary, commission, bonus and other welfares and allowances, are offered to our employees.

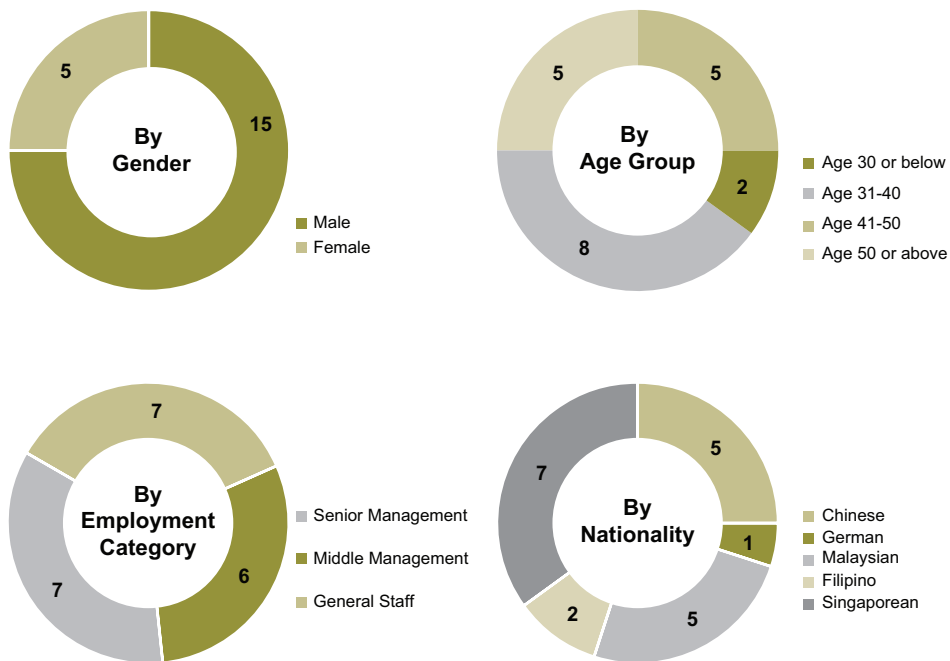
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As our business spans over a variety of countries and cities, all employees are entitled to the number of leaves, including maternity leaves, in accordance with the applicable laws of different jurisdictions. We advocate a work-life balance among our employees by introducing reasonable working hours and number of paid leaves, which is not only beneficial to their health, but also to their morale and foster a sense of belonging to the Company.

The Group believes every contribution deserves its reward, we adopt a performance-based remuneration packages. Under such policy, performance evaluation is conducted on a yearly basis to appraise the performance of all employees, offering them recognitions and rewards according to their respective individual performance.

On top of this, we also developed comprehensive human resources policies and guidelines to govern compensation, dismissal, recruitment and promotion processes, in which no case of inequality has been reported during the year. Besides, all employees are welcomed to express their opinions through various well-established channels, including the monthly regular meetings, emails, anonymous opinion box, at any time, in which the opinions of the employees could be expressed and fostered to the management, and the Group can always undertake improvement measures for the benefits of the employees.

As at 31 December 2018, the Group had 20 employees (including executive directors). Below is the detailed breakdown of the number of employees by gender, age group, nationality and employment category.



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Occupational Health and Safety

During the year ended 31 December 2018 and 2017, the Group strictly complied with all the relevant laws and regulations with no violation reported. Due to the nature of the Group's business, there is no significant risk in occupational health and safety in the course of operations. There was no related claim or compensation to the employees as a result from serious accidents. The Group continuously promotes a safe working environment to protect employees from any occupational hazards, for which a guideline was prepared for all employees, including environmental and personal hygiene practices, work arrangements during adverse weather, as well as emergency response.

Development and Training

The development of the Group relies on the quality of our employees. Therefore, we place emphasis on the employees' trainings, which are led by the Human Resources Department. The executive directors of the Company are responsible for the corresponding approval and designing relevant training contents in accordance with the latest market trend. The training needs of the employees can be revealed by annual performance appraisal and latest market development. The Group will summarise the findings and arrange suitable training programmes to the employees.

All new employees have to attend relevant technical and operational training courses which ensure them get trained with the required skills and knowledge, while on-going trainings are also prepared for all existing employees. The Group arranges trainings relating to international sanctions for the directors of the Company, senior management members and other relevant personnel to assist them in evaluating the potential international sanctions risk in the Group's daily operations. The Group also regularly updates the latest information of corporate governance, bribery, extortion, fraud and money-laundering in emails with employees, which could draw the attention on the importance of ethics among the employees. The Group also promotes lifelong learning among its employees. They are also encouraged to take part in relevant external seminars and trainings in an active manner for continuing advancement.

Labour Standards

The Group abides by the relevant laws and regulations in regard to the prevention of child and forced labour, according to which such practices are strictly prohibited throughout the Company with several effective means. To avoid the employment of child labour, the Group checks and verifies the identity cards or other identification documents of the candidates in the course of recruitment. The Group fully carries out the labour contracts and relevant well-established internal labour policies, under which a transparent system and corresponding reporting channels are in place to ensure no unfair labour practice is adopted. During the reporting period, the Group did not violate any relevant laws and regulations in respect of the prevention of child or forced labour.

OPERATING PRACTICES

Supply Chain Management

Neither the nature of our business nor our suppliers involve significant risk to the environment and society, the Group regularly reviews its list of suppliers to ensure their compliance with our internal regulations and relevant national and local laws. Before placing procurement from new suppliers, the Group will assess its corporate conditions, credibility and the quality of products so as to maintain the quality of services and products provided to our customers. After engaging with the new suppliers, the technical support team of the Group will regularly check on the components supplied. Also, the Group will develop an open dialogue with the suppliers to address the concerns and needs from both parties. In case of the observation of any misconduct from the suppliers, the Group will terminate the trading relationship should the needs arise.

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The Group commences pre-installation procedures before undertaking project installation. Pre-installation quality control procedures refer to procedures put in place by the Group to check that the hardware and/or software components required for the implementation of the Group's cyber infrastructure solutions and cyber security solutions are in accordance with the proper specifications and quantities ordered by customers.

The technical support team of the Group is responsible for the checking of all hardware and software components supplied by the providers to ensure the components come with proper warranty and/or a back-to-back return policy arrangement such that any products that are defective or do not comply with the stated product specifications within the warranty period will be replaced by the suppliers. In addition, the technical support team of the Group also checks for any damage to the physical packaging of the products before installing the cyber infrastructure solutions and/or cyber security solutions. A "burn-in" test will be conducted which typically involves the running of the hardware up to 24 hours to ensure that all components are functioning properly before the delivery of the hardware to the customers.

Product Responsibility

The quality of services and products is always at the key focus in our operations. The Group plans to set up a dedicated testing centre installed with facilities up to industry standards, such as servers, network equipment, testers, probes, security features and electromagnetic shields, so as to achieve higher standard of industry requirements. With the help of such testing facilities, it can be ensured that solutions involving telecommunication equipment will satisfy the certification requirements of the industry which centre on the performance, stability, usability, environmental and health impact, life cycle and security of a product. Besides, the electromagnetic shields installed can provide the Group with a conducive environment for the development of new and existing solutions and products. During the year ended 31 December 2018, selection of necessary equipment for the dedicated testing centre was in progress.

The Group obtained the Telecommunication Dealer's Individual License issued by the Info-communications Development Authority of Singapore and a Security Service Provider's License issued by the Singapore Police Force. The Group intends to develop and implement a practical export control compliance programme, focused on awareness raising, monitoring, tracking and screening re-export, re-transfer, re-supply and re-sale of US-origin items so as to ensure that any applicable re-export authorisations are obtained and items subject to the US Export Administration Regulations are not re-transferred to prohibited parties.

Intellectual property rights

Our Group respects and protects intellectual property rights by all means. Intellectual property rights of the Group include all processes, procedures, programs, discoveries, ideas, formulae, improvements, developments, technologies, designs and inventions conceived or developed by its employees in the course of their employment or service. We rely primarily on intellectual property laws and contractual arrangements to protect its intellectual property rights. The employees under research and development department are required to enter into employment agreements or service contracts, under which they are required to keep all information relating to the intellectual property of the Group confidential. In addition, the Group has taken active steps to protect our trademarks and other intellectual property rights by necessary filing or registration.

Protection of personal data

All information of customers and suppliers are considered highly sensitive and are kept in a safe and confidential manner under a designated system. The Group has taken proper measures to safeguard data integrity by avoiding and restricting any unauthorised access and data leakage. All employees also have to comply with the internal guidelines and employment contracts containing relevant clauses to ensure the confidentiality of such information. It avoids the possible leakage of any personal or private information. Moreover, exit interviews with resigned employees have come into practice, in which they have to sign the relevant declaration which protects the confidentiality and personal data after the termination of employment.

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During the year, neither any non-compliance nor violation in respect of product responsibility was reported, nor was any product recalled.

Anti-corruption

The Group adopts a policy of zero tolerance towards bribery, extortion, fraud and money-laundering. All employees must fully comply with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) and other relevant laws and regulations in Hong Kong and other jurisdictions, as well as our internal policies on the prevention of corruption. In order to promote integrity in the workplace, an employee handbook was formulated to set out standards of conduct to which all employees are required to adhere. The Group has also established a whistleblowing policy to encourage reporting of bribery, extortion, fraud and money-lending, under which all employees have a responsibility to report to their supervisor or senior management any suspected violations, malpractice or impropriety within the Group. We also strengthen the sense of anti-corruption among the employees by updating them with the latest guidance from Independent Commission Against Corruption (Hong Kong) ("ICAC") regularly.

During the year, the Group is not aware of any non-compliance or violation of any relevant laws and regulations in respect of anti-corruption.

COMMUNITY INVESTMENT

The Group has taken an active part in fulfilling the corporate social responsibility. We strive for engaging with the local community and extending our reach to people in need.

Community services

In order to build a harmonious and prosperous society, the Group supports and encourages all employees to take part in volunteer works or charity activities. The employees could also swap the working schedules with others for joining volunteering work under the consent of their supervisors or the management.

Charitable donations

The management understands that charitable organisation plays a key part in extending assistance and help for the needy or underprivileged in society. Monetary support has been offered for a number of worthy charitable organisations.

The Group believes that by helping to enrich community, both materially and spiritually, it will also meet the expectations of shareholders, and stakeholders, including customers, suppliers, subcontractors and employees.

By creating an atmosphere of caring, the employees will become our representatives to spread and share with society the love that we always emphasise.