



SY HOLDINGS GROUP LIMITED

盛業控股集團有限公司

(formerly known as Sheng Ye Capital Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6069)



2021

**ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT**

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ABOUT THIS REPORT

This is the fifth environmental, social and governance report published by SY Holdings Group Limited (the “Company”). The purpose of this report is to report on the philosophy and practices of the Company and its subsidiaries (the “Group”, “SY” or “we”) in fulfilling our environmental, social and governance (“ESG”) responsibilities in 2021 and to respond to material issues.

REPORTING CYCLE AND SCOPE

This is an annual report. This report covers the period from 1 January 2021 to 31 December 2021. Certain contents are beyond the above scope to make this report more comparable and forward looking.

REPORTING STANDARDS

This report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” set out in Appendix 27 to the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” (the “Listing Rules”).

This report is prepared in accordance with the principles of materiality, quantitative, balance, and consistency.

Materiality: The materiality of the Group’s ESG issues is determined by the board of directors and the stakeholder communication and material issue identification process and material issue matrix are disclosed in this report.

Quantitative: The statistical criteria, methods, assumptions and/or calculation tools for quantitative key performance indicators (“KPIs”) in this report, as well as the sources of conversion factors, are described in the explanatory notes of this report.

Balance: This report presents the Group’s performance for the reporting period in an unbiased manner and avoids the selection, omission or formats of presentation that might improperly affect the decisions or judgments of the readers of this report.

Consistency: The statistical methods and basis used in the data disclosed in this report are consistent with those of previous years unless otherwise specified.



DATA DESCRIPTION

The financial data in this report are derived from the 2021 annual report of the Company containing audited financial information of the Company for the year ended 31 December 2021. In case of any discrepancy between data of this report and the annual report, the information in the annual report shall prevail. Other statistics cover the Company and its subsidiaries, unless otherwise specified.

The monetary amounts in this report are denominated in Renminbi, unless otherwise specified.

PUBLICATION FORMAT

This report is published in an electronic version. You can read and download the electronic version of this report on the HKEXnews website of the Stock Exchange of Hong Kong (website: www.hkexnews.hk) and the website of the Company (website: www.syholdings.com).

CONTACT INFORMATION

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MESSAGE FROM SENIOR MANAGEMENT

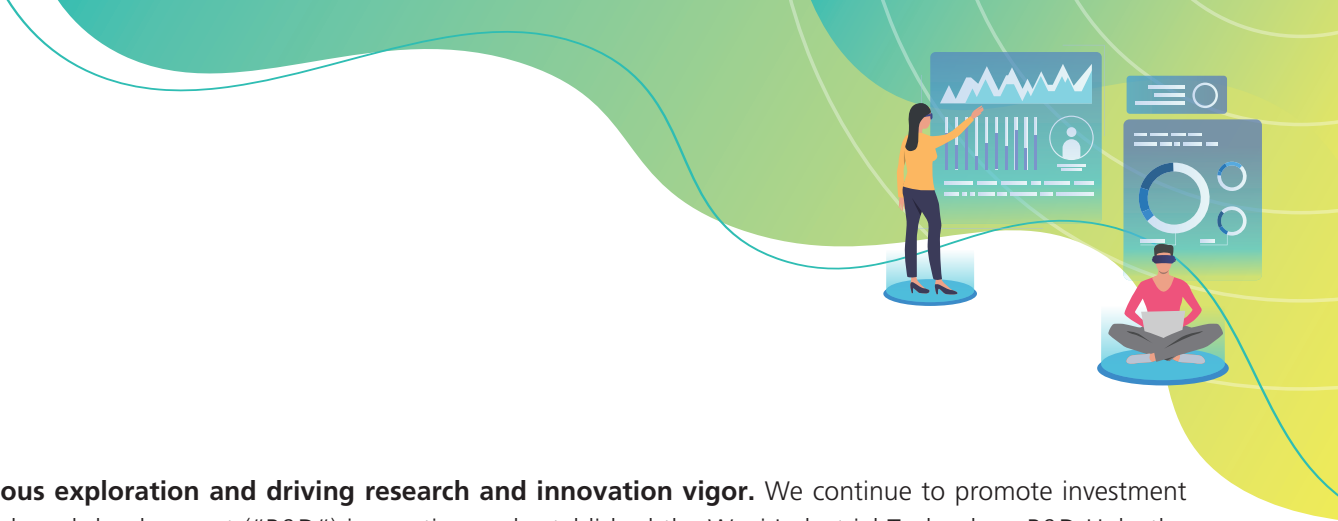
Due to the continuously deepening impact of COVID-19 pandemic on the national economy, the challenges which are faced by the industry chain has become more and more complex, and industry digitalization and convenient and efficient supply chain financial services have become increasingly important. To address the challenges which are faced by various enterprises in terms of raw materials, logistics and capital flow, the Chinese government has introduced a number of policies to encourage technological innovation, develop a digital economy and support the financial services that are specially provided to cater for the needs of small and medium-sized enterprises (SMEs), thereby ensuring the stability of the supply and industry chains and facilitating the national economic circulation.

In the face of various challenges, SY, same as those core enterprises and SME suppliers who have never stopped their efforts, has risen to the occasion by continuously exploring the industry to strengthen its understanding of the industry and its innovation in technology applications, so as to provide differentiated digital financial solutions for the industry supply chain ecosystem, thereby striving to solve the plight of SMEs who find it difficult and expensive to raise capital. Meanwhile, SY has utilized technology to assist core enterprises in industry digitalization and intelligent upgrading, driving the industry digitalization process and serving the real economy.

After more than eight years of growth, SY has gradually upgraded from the 1.0 stage focusing on commercial factoring to the 3.0 stage dedicated to data-driven supply chain technology platform. On this basis, we issued the strategy of “Dual-Engines, One-Platform” to build a comprehensive supply chain service platform through the dual-engine development of industrial technology and digital finance. With the advent of the 3.0 era and the upgrading of the Group’s strategies and brand, we officially changed our name from “Sheng Ye Capital Limited” to “SY Holdings Group Limited”. Without being bounded by the “capital” label, we can now focus on building the supply chain technology platform and the supply chain intelligent service ecosystem.

Rooted in ESG and undertaking corporate social responsibility. SY continues to integrate the ESG philosophy into business development and corporate culture. We demonstrate our corporate social responsibility in the fields of inclusive finance, green supply chain and social welfare, and respond to the goals of carbon peaking and carbon neutrality through innovation of financial products and services. During 2021, the Company received MSCI ESG Rating A and was included in the Hang Seng Corporate Sustainability Benchmark Index. Our Hang Seng ESG Rating was upgraded to A, which is in the leading level of the industry.

Driven by dual engines in building the intelligent service ecosystem. In terms of digital finance, we officially integrates with the PBOC Second-Generation Credit Reference System and opened a credit report inquiry account to provide customers with convenient, smooth and comprehensive experience. As at the end of the reporting period, the total number of SMEs which are connected to the SY Cloud Platform reached 10,358, representing a growth of nearly 40% as compared with the end of 2020. The cumulative supply chain assets processed amounted to RMB132 billion, representing an increase of over 30% as compared with the end of 2020. In terms of industrial technology, we achieved a breakthrough from zero to one, successfully secured the “Smart Construction Site Project of Peng Cheng Laboratory” and helped a large pharmaceutical business group co-build smart hospital supply, processing and distribution (SPD) solutions, thereby providing supply chain technology solutions for enterprises and assisting industry digital transformation and upgrade.



Continuous exploration and driving research and innovation vigor. We continue to promote investment in research and development (“R&D”) innovation and established the Wuxi Industrial Technology R&D Hub, the Shenzhen Digital Finance R&D Hub and Tianjin Platform Operations Hub. In 2021, our R&D expenses amounted to RMB35.8 million. Since listing, the cumulative expenses amounted to RMB100 million and a total of 42 computer software copyrights were obtained. At the same time, we have fully upgraded the SY Cloud Platform and was awarded the ISO 27001 Information Security Management System certification and Level 3 certification of the national information security protection scheme.

Technology empowerment for promotion of green sustainable development. SY is deeply aware of the importance of tackling climate change, promoting the green and sustainable development of the value chain and its own operations. On one hand, we pay attention to the low-carbon transformation of the value chain, give priority to low-carbon projects and realize online and paperless operations on the SY Cloud Platform to reduce carbon emissions in the course of business operation; on the other hand, we identify and combat climate risks and set targets in areas such as carbon emission and use of resources in order to achieve energy saving, consumption reduction and green operation with multiple measures.

Light of SY contributes to the harmonious development of the society. Since 2014, SY has continued to practice social responsibility by carrying out public welfare activities focusing on helping impoverished areas, caring for the growth of children in distress, supporting youth development and caring for social groups, helping the needy groups in society as much as possible. SY established its own charity scheme called “Light of SY” and initiated the establishment of SY Public Welfare Foundation in 2021, which will continue to carry out public welfare activities in three major areas: caring for children in need, supporting industry development and youth inspirational programmes. We also join hands with our employees to promote the harmonious development of the society. Since 2014, the Company has donated a total of approximately RMB10 million which benefitted more than 1,000 person-times. During the reporting period, SY staff members recorded 71 person-times of participation in charity work.

Looking forward, SY will continue to provide one-stop supply chain technology services and digital financial solutions for enterprises and financial institutions. We will proactively practise the ESG philosophy, take initiative to shoulder social responsibilities and continuously make more contribution to low-carbon development.



1. ABOUT US

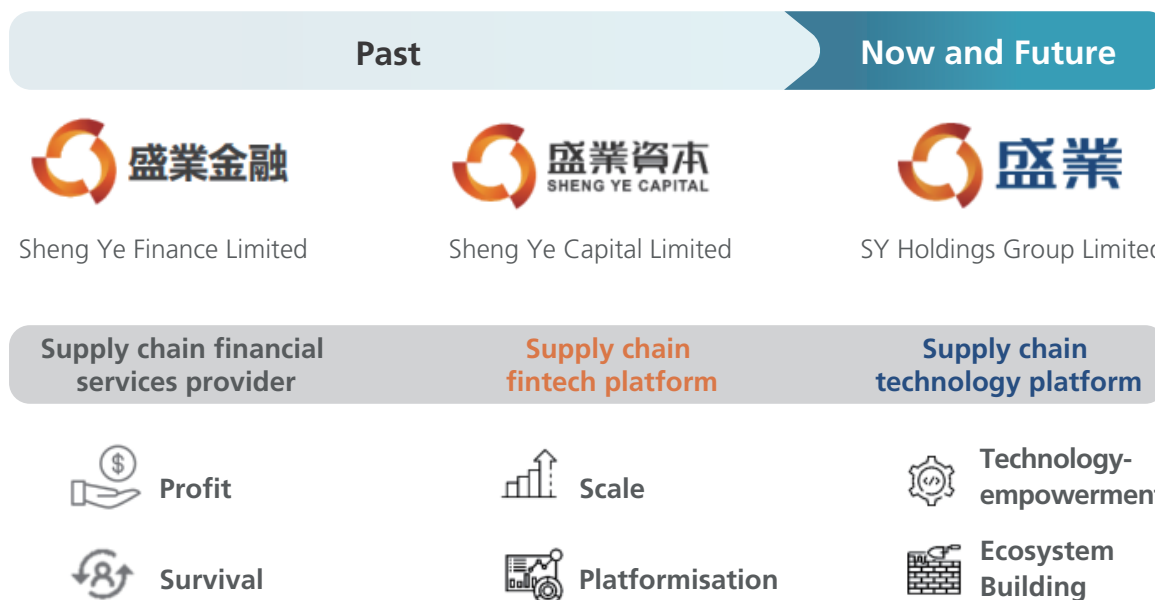
1.1 ABOUT SY

Corporate Overview

Corporate Profile

SY Holdings Group Limited (stock code: 6069.HK) is a leading supply chain technology platform providing efficient and inclusive industrial technology and digital financial solutions for companies across Asia Pacific. As a listed company on the Main Board of the Stock Exchange of Hong Kong, SY is currently included in the MSCI series of indexes, the Hang Seng Composite Index and the Shenzhen Connect.

In January 2021, SY unveiled its “Dual-Engines, One-Platform” strategy. The Dual Engines mainly refer to: 1) deepening of the Group’s industrial technology leadership and integration into the supply chain ecosystem; and 2) enhancement of its supply chain digital financing capabilities, which will more effectively connect and pool various resources within the supply chain ecosystem by leveraging the advantages of its technology platform. Subsequently, the Company upgraded its brand and changed its name from “Sheng Ye Capital Limited” to “SY Holdings Group Limited”, removing the “Capital” label and freeing itself from financial attributes to focus on building a supply chain technology platform and constructing a supply chain intelligent service ecosystem.



SY's Strategic Development



Vision



To become Asia's most reliable supply chain technology platform

Mission



To make supply chain finance more efficient and inclusive

Value



Integrity, people-oriented, service-oriented, pursuit of innovation

SY's Corporate Culture

Business Segments

Focusing on the two vertical fields of "Industrial Technology" and "Digital Finance", SY provides digital financial solutions, platform-based services, supply chain technology services and the sale of supply chain assets by cultivating the infrastructure engineering, medical and healthcare and energy and chemical industries. Through aligning resources and competencies of key business lines, SY better serves the needs of various stakeholders in the supply chain ecosystem while ensuring competitiveness in the marketplace.



- Offers a range of flexible supply chain financing solutions which include accounts receivable-based lending as well as loan guarantee services;
- The proprietary fintech platform, known as "SY Cloud Platform", offers a seamless customer experience for online application and the approval process.

Digital Financial Solutions



- Provides accounts receivable management and asset origination services as part of its loan facilitation business;
- Facilitates the issuance of asset-backed financial products which include asset-backed securities ("ABS") and asset-backed notes ("ABN") issued by large corporations through providing related services.

Platform-Based Services



Supply Chain Technology Services

- Provides customers with supply chain technology solutions such as smart enterprise solutions and supply chain procurement systems;
- Provides smart industrial Internet-of-Things ("IoT") and efficient Software-as-a-Service ("SaaS") solutions to enterprises.



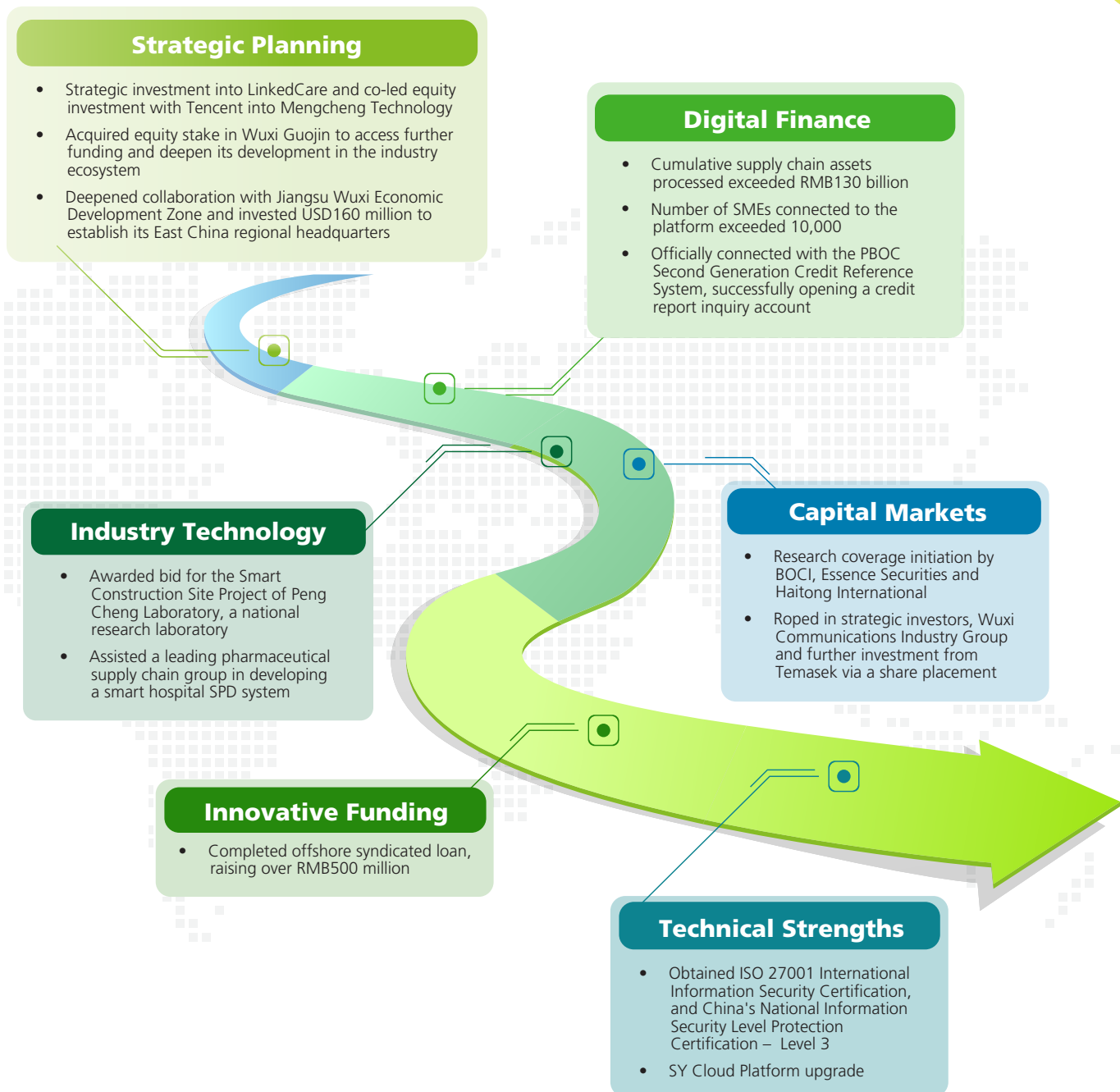
Sale of Supply Chain Assets

- Sells supply chain assets to various financial institutions including asset managers and trust companies based on their risk appetites for fixed income products.



SY's Business Segments

Key Milestones



SY's Key Milestones for 2021



Awards

During the reporting period, the Company was further recognised by the industry, the market and third-party organisations for its relentless efforts in R&D innovation, advancing industrial development and sustainable development. In August 2021, SY received an initial “A” rating by MSCI ESG Research, outperforming other industry peers. In September, SY was included as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index. Subsequently in October, SY’s ESG rating was upgraded to “A” from “A-” in 2020 by the Hang Seng Indexes Company Limited.



Awarded A Rating by MSCI



**Hang Seng Corporate
Sustainability Index Series**

**Included into Hang Seng Corporate
Sustainability Benchmark Index**



**The 7th Asset Securitization • Jiefu Award
– Innovative ABS Product Award**



**The 3rd International Factoring and Supply Chain
Finance Conference – Industry Contribution Unit
Award and Social Responsibility Outstanding
Contribution Unit Award**



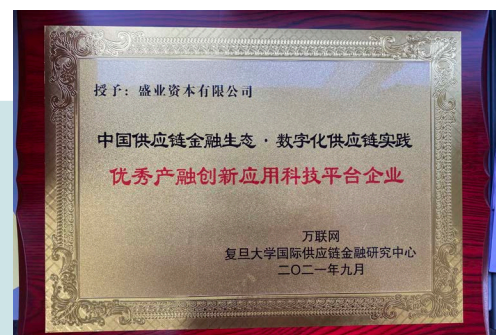
**“China Best ESG Award” at the 5th China
IR Annual Awards**



**“Best Innovation Award” at the 5th China IR
Annual Awards**



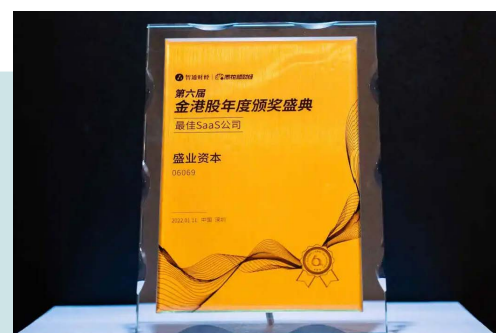
**"Commercial Factoring Innovation Case"
Award at the 9th China Commercial
Factoring Industry Summit**



**"Digital Supply Chain • Excellent Industry
and Finance Innovation and Application
Technology Platform" Award**



**"2021 Fintech Influential Brand Award" at
the 10th China Finance Summit**



**"Best SaaS Company" at the 6th Golden
Hong Kong Stocks Awards**



**"Best CFO Award"
of Greater China
Best Listed
Company Awards
2021 at the
GuruClub Global
Investment Carnival**



1.2 CORPORATE GOVERNANCE

Integrity is one of the corporate values of SY. We maintain a high level of business integrity in our operations, uphold high standards of business conduct in our business relationships with all relevant parties, eliminate any form of corruption, bribery, blackmail, extortion, money laundering and embezzlement of public funds, adhere to compliance operations and contribute to the healthy development of the industry.

Promoting Compliance Operation

Against the background of the new regulatory framework such as the “Notice on Strengthening Supervision and Administration of Commercial Factoring Enterprises” (《關於加強商業保理企業監督管理的通知》) which was issued by the General Office of China Banking and Insurance Regulatory Commission, the “Data Security Law of the People’s Republic of China” and the “Personal Information Protection Law of the People’s Republic of China” coming into effect, and the “Interim Measures for Supervision and Administration of Commercial Factoring Companies in Tianjin” (《天津市商業保理公司監督管理暫行辦法》) which was issued by the Tianjin Financial Supervision and Administration, SY actively responds to the requirements of the laws and regulations of the country and the place of its operation. In addition, it regulates its business development, operates in compliance with the law, formulates and strictly follows reasonable business durations and interest rates, resolutely eliminates illegal and violent payment collection practices, comprehensively safeguards data security and personal information security, and provides a fair and reliable business and transaction environment for its customers.

Adhering to Business Ethics

SY strictly complies with the “Criminal Law of the People’s Republic of China”, the “Anti-Unfair Competition Law of the People’s Republic of China”, the “Anti-Monopoly Law of the People’s Republic of China” and other relevant laws and regulations, improves the internal system, regulates the business ethics of the Group and its employees at source, improves complaint and whistleblowing channels and mechanisms, and strengthens employees’ awareness of integrity through regular publicity and training on business ethics to ensure the Company’s compliance and sound operation.

During the reporting period, we promulgated the “Internal Audit Policy of SY Holdings Group Limited”, which specifies that external audits are conducted on business lines every year, while internal audits with specific focus are conducted on low, medium and high risk processes according to the frequency of monthly, quarterly as well as annual basis depending on the level of risk. Through the improvement of the Company’s internal construction to achieve the effect of error detection and prevention of fraud and standardisation of the Company’s operation, audits are conducted on issues identified by complaints and reports in the course of operation and issues identified by the Audit Committee as requiring attention.

At the same time during the reporting period, we amended the “Anti-Corruption and Whistleblowing Policy of SY Holdings Group Limited” to introduce more specific and comprehensive anti-corruption requirements for employees and suppliers, as well as anti-corruption management mechanisms, complaint reporting mechanisms, anonymous whistleblower protection mechanisms and relevant training mechanisms, in order to promote high standards of business ethics within the Group.

During the reporting period, we have not been the subject of any litigation arising from violations of anti-corruption, anti-bribery, anti-money laundering, anti-fraud and other laws and places in the places in which we operate.



Anti-Money Laundering

SY strictly complies with the requirements of the “Anti-Money Laundering Law of the People’s Republic of China” and other relevant laws and regulations, implements the anti-money laundering responsibilities of financial institutions, integrates anti-money laundering work into daily operation of Risk Management Department, regularly optimizes and updates relevant policies and improves relevant risk management mechanisms. Meanwhile, in accordance with the “Rules of Procedure of the Risk Management Committee of SY Holdings Group Limited”, an anti-money laundering working group could be established under the Risk Management Committee of the Company, which is fully responsible for anti-money laundering related work and mechanisms to ensure the effective implementation of anti-money laundering related systems and measures.

Anti-Corruption

SY has always put anti-corruption a key focus of its work, and has promoted in-depth integrity risk prevention and control to prevent and eliminate the occurrence of corrupt practices. The Company requires all employees to adhere to the code of conduct of integrity and honesty, abide by business ethics and codes of conduct in conducting business and related activities, and refrain from directly or indirectly transferring or seeking improper benefits from others.



Relevant Policy

- The “Anti-Corruption and Whistleblowing Policy of SY Holdings Group Limited” was amended to set out clear and specific policies on anti-corruption requirements for employees and suppliers, anti-corruption management mechanism and anti-corruption training and promotion mechanism;
- The relevant policies include the promotion of a culture of integrity, strict prohibition of corrupt practices such as bribery or accepting bribes, criteria for accepting and reporting gifts, management of suppliers, and integrity training and supervision.

Information Delivery

- All employees are required to sign a “Letter of Undertaking of Integrity of SY Holdings Group Limited” when their employment starts;
- The code of conduct regulated by the “Employee Manual of SY Holdings Group Limited” and the “Anti-Corruption and Whistleblowing Policy of SY Holdings Group Limited” stated that employees shall uphold self-discipline and integrity;
- SY clearly delivers the message of zero tolerance on corruption and malpractices to all employees.

Code of Conduct

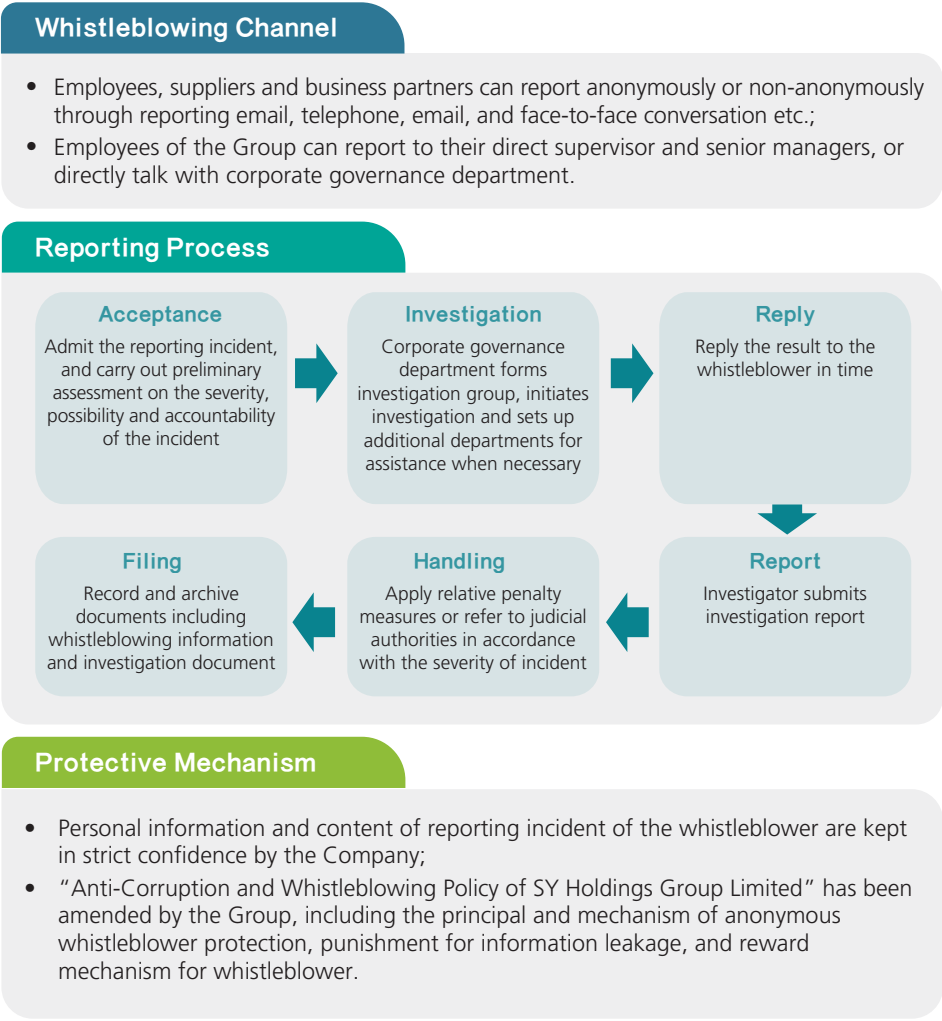
- Malpractices, fraud, corruption, misappropriation, embezzlement, theft of the Group’s capital and property or leakage of commercial secrets are strictly prohibited;
- All employees are forbidden to receive high-value gifts, cash, negotiable securities, payment certificates and others from clients or suppliers;
- Abide by professional ethics, one shall not cheat to gain honour, titles and others personal interest by means of fraud, false reporting of performance etc;
- No Illegal, inappropriate or fraud acts are allowed which will have impact on the accounting, financial reports, internal control or auditing of the Group;
- No engagement in personal profit-making activities within the scope of business and duties in charge, and no participation in the business activities of companies that have business relationships with the Group;
- No offering of convenience for profit-making activities engaged by relatives and friends;
- No advantage should be taken of the convenience of the position, appropriation of public property for personal use or profit.

Anti-corruption Management Measures



Whistleblower Protection

During the reporting period, we amended the “Anti-Corruption and Whistleblowing Policy of SY Holdings Group Limited” to introduce more specific and comprehensive requirements on the internal and external whistleblowing mechanism, anonymous whistleblower protection mechanism, reward and punishment mechanism for whistleblowers and related training and promotion, including set up multi-channel reporting methods, encourage employees to report illegal events or misconducts, while strictly protecting the relevant rights and interests of whistleblowers to prevent their personal information from being leaked, and retaliation against whistleblowers in any form and under any pretext is strictly prohibited. In the event of violations of the policy or the identity of anonymous whistleblower being leaked, the Group will impose punishment or refer to the judicial authorities in accordance with relevant regulations.



Channels and Mechanism for Whistleblowing

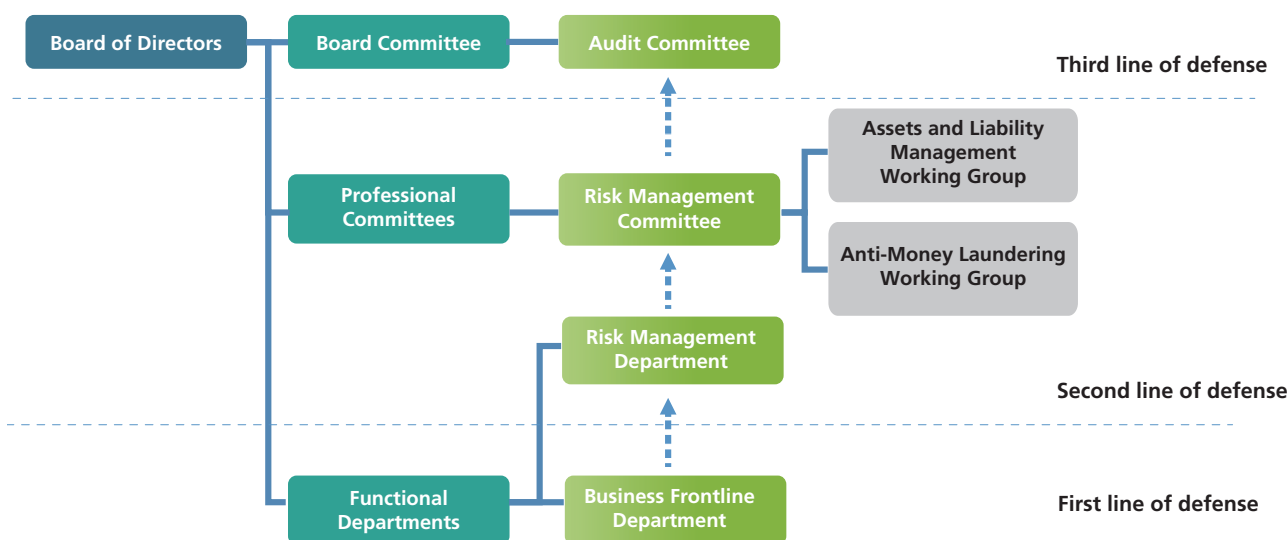


Training and Education

The Group actively carries out anti-corruption and other business ethics publicity and training to enhance the professional ethics and anti-corruption awareness of all staff, regulates the integrity of staff practices and continuously creates a clean and harmonious working atmosphere. During the reporting period, the Group conducted 12 sessions of staff integrity training, covering 179 person-times, with a per capita training duration of 1 hour per person. In addition, the Group also conducted anti-corruption awareness training to directors and all employees (including full-time and part-time employees) through internal briefings.

Sound Risk Management

A professional and comprehensive risk management mechanism is the foundation of our sustainable development. The Group strictly follows the relevant laws and regulations such as the “Listing Rules”, the “Notice of the General Office of China Banking and Insurance Regulatory Commission on Strengthening Supervision and Administration of Commercial Factoring Enterprises” and the “Interim Measures for Supervision and Administration of Commercial Factoring Companies in Tianjin”, and has formulated internal policies such as the “General Rules on Risk Management of SY Holdings Group Limited” and the “Audit Committee of SY Holdings Group Limited – Terms of Reference” to comprehensively identify and control risks throughout the business process. During the reporting period, the Group amended the “Rules of Procedure of the Risk Management Committee of SY Holdings Group Limited”.



SY's Risk Management Framework



Risk communication	<p>Daily evaluation: Based on the subject and transaction-oriented dual risk evaluation, to establish a risk evaluation system with multi-dimensional enterprise and transaction behavior data analysis as the logic for realizing the rolling calculation of dynamic risk evaluation results for individual customers, individual businesses and individual assets.</p> <p>Ad hoc meetings: In case of sudden and significant risk matters related to the Company’s risk related department, the Risk Management Committee will convene an ad hoc meeting after the relevant department reports to the Chairman of the Risk Management Committee.</p> <p>Reporting escalation: The reporting line is Functional Departments/Risk Management Committee – Audit Committee – Board of Directors.</p>
Risk control and management	<p>Board of Directors: Reviews the effectiveness of risk management and internal controls at least once a year through the Audit Committee.</p> <p>Audit Committee: Reviews risk management reported by the Company’s management at least once every six months.</p> <p>Risk Management Committee: Holds business risk analysis meetings at least once a quarter, mainly focusing on the Company’s risk issues in comprehensive risk management, including but not limited to analysis and experience summary of overdue collection matters, liquidity management execution, operation management, data security, etc., to identify business risk points and propose prevention and control solutions to risk issues.</p> <p>Risk Strategy Group: Fully responsible for the establishment and optimization of daily business risk evaluation rules and models.</p>

For more information, please refer to the “Corporate Governance Report” section of the Group’s 2021 Annual Report.



1.3 2021 PERFORMANCE HIGHLIGHTS

Economic Performance

Indicator	Unit	2021
Total assets	RMB100 million	88.03
Operating revenue	RMB100 million	5.75
Net profit	RMB100 million	4.62
Number of SMEs connected to the platform	Enterprise	10,358
Research and development expense	RMB million	35.8
Total amount of SME Loans*	RMB100 million	154
Balance of direct SME Loans	RMB100 million	64.6

* During the reporting period, the total amount of SME loans includes: i) total amount from direct loan business, which represents the total loan amount of approximately RMB11.6 billion directly provided by the Group to SMEs; and ii) total amount from loan facilitation business, which represents the total loan amount of approximately RMB3.8 billion provided by third-parties to SMEs which were facilitated by the Group.

Social Performance

Indicator	Unit	2021
Total number of employees	Employee	347
Average training hours per employee	Hour per employee	21.61
Percentage of trained employees	%	94.52
Service satisfaction	%	94.6
Number of sessions of public welfare activities	Session	8
Number of participants in public welfare activities	Person-time	71
Duration of public welfare activities	Hour	932
Investment amount of public welfare activities	RMB'000	1,396.5

Environmental Performance

Indicator	Unit	2021
Total emission of greenhouse gas	tCO ₂ e	164.29
Emission of greenhouse gas per employee	tCO ₂ e per employee	0.47
Nitrogen oxides (NO _x) emission	kg	1.52
Sulfur dioxide (SO ₂) emission	kg	0.52
Particulate matter (PM) emission	kg	0.16
Total amount of non-hazardous waste generated	kg	6,580
Non-hazardous waste generated per employee	kg per employee	18.96
Total amount of hazardous waste generated	kg	10
Hazardous waste generated per employee	kg per employee	0.03
Total amount of waste recycled	kg	539.06
Amount of waste recycled per employee	kg per employee	1.55
Total energy consumption	MWh	342.13
Energy consumption per employee	MWh per employee	0.99
Total water consumption	tonne	2,163.87
Water consumption per employee	tonne per employee	6.24



2. ESG MANAGEMENT

2.1 STATEMENT OF THE BOARD OF DIRECTORS

By upholding the ESG management philosophy of “To make supply chain finance more efficient and inclusive”, SY has achieved stable and solid financial performance while constantly promoting the integration of ESG into its strategy and business to drive long-term sustainable development.

Enhancement of ESG Management

- Streamlining the Group's existing ESG management mechanism and processes, improving the ESG management structure to enhance ESG management standard in compliance with the latest regulatory requirements, establishing a regular management mechanism with clear responsibilities, and strengthening the connection between business segments and sustainable development.

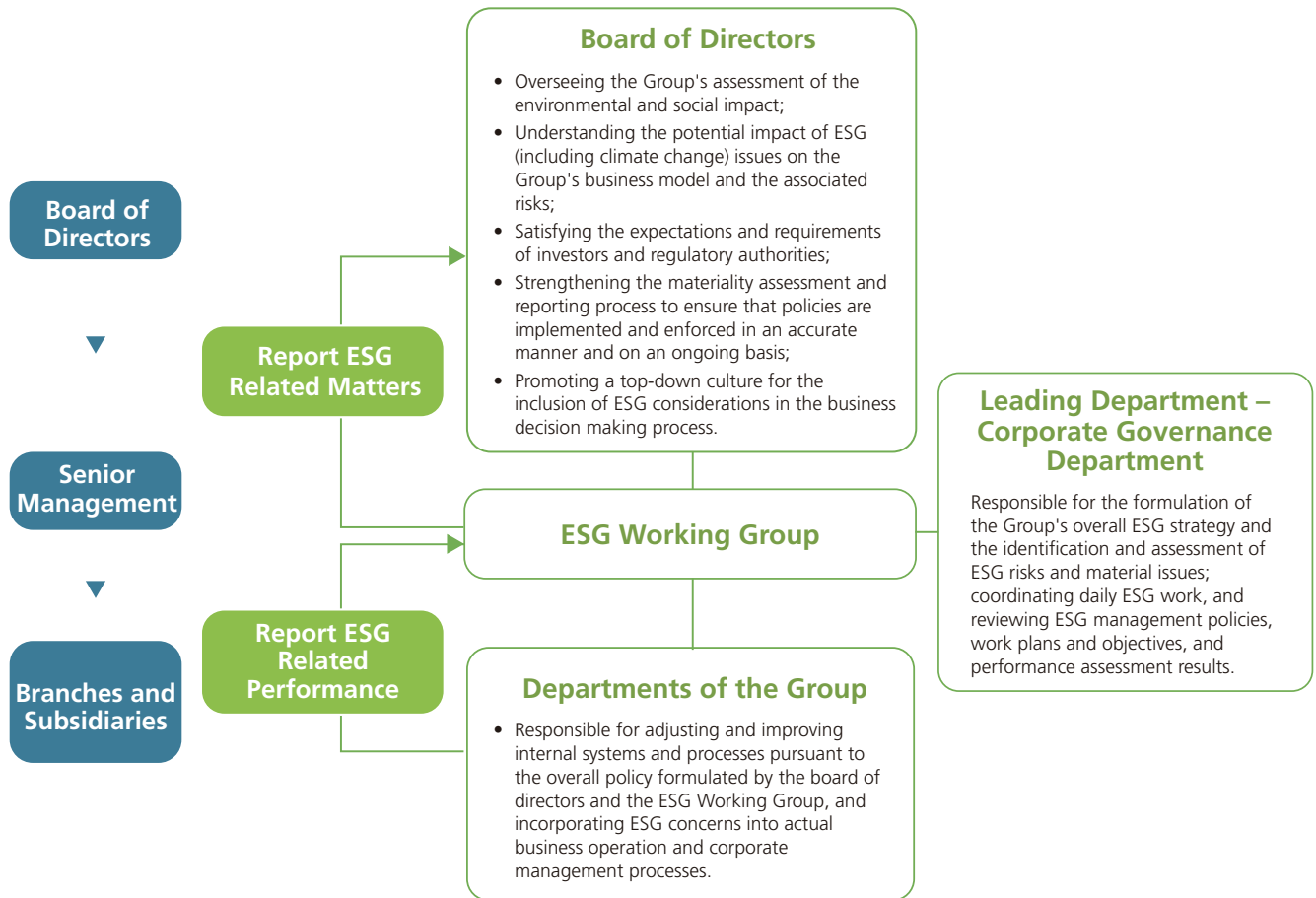
Integration of ESG and Business Sustainability

- Paying attention to new sustainable industry developments such as being environmentally friendly and performing social responsibility, and satisfying the latest needs of SMEs in the actual production process by providing diversified supply chain products that incorporate ESG factors for a wide range of SME customers and encouraging the entire supply chain ecosystem to improve ESG performance.
- Continuing to vigorously develop the business for loans to SMEs and focus on financing projects in the infrastructure and medical and healthcare sectors for fulfilling its social responsibility, and cooperating with domestic and overseas funding partners to develop more financing models that serve sustainable objectives such as inclusive finance and low carbon development.

ESG Information Disclosure and Performance Enhancement

- Improving the quality of information disclosure, highlighting the characteristics of the Group, optimizing the ESG information indicator system and realizing the systematic collection of ESG information in compliance with the regulatory requirements, and including the setting of environmental targets and climate change risk analysis into the ESG reporting scope in accordance with the new guidelines under the Listing Rules, while maintaining and striving to enhance its performance in key ESG ratings.

SY's ESG Objectives



SY has implemented an ESG organizational structure and working mechanism for its board of directors and its functional departments, establishing a regular management mechanism with clear responsibilities, and strengthening the enhanced connection between business segments and sustainable development



The supervisory role of the board of directors of SY in ESG matters

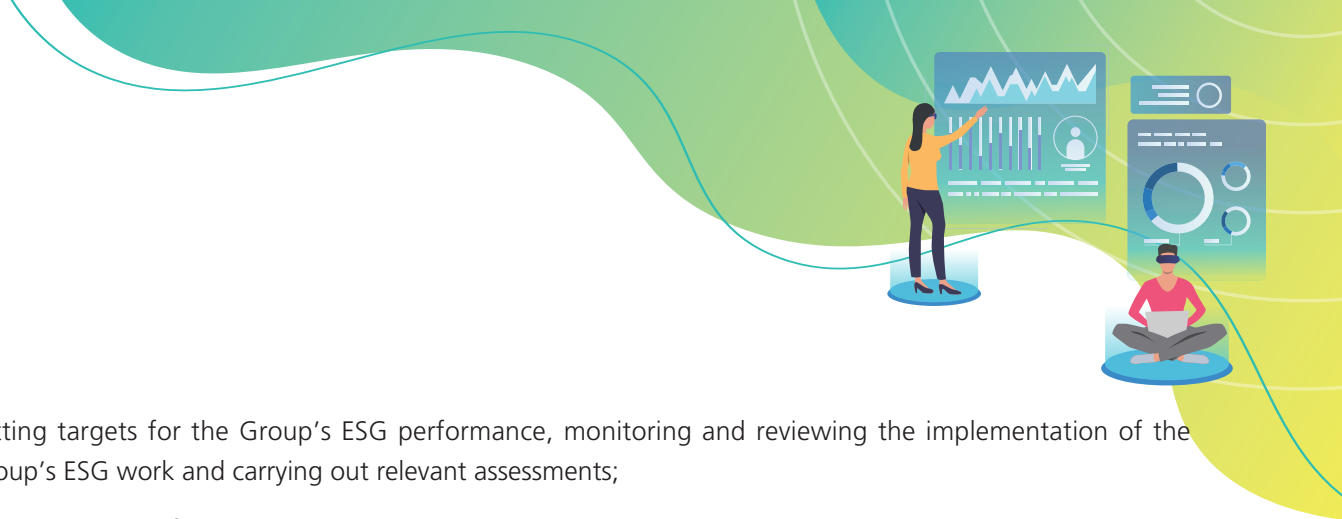
The board of directors recognizes its responsibility for assessing and determining the nature and degree of the risks, including ESG-related risks, that it is willing to take in order to achieve the Group's strategic objectives, and ensures that the overall adequacy and effectiveness of the Group's risk management and internal control systems, which cover financial, operational and compliance controls, are regularly reviewed, thereby safeguarding shareholders' investments and the Group's assets.

- As for management, the board of directors is committed to establishing and maintaining a competent and independent board to oversee the business of the Group, thereby maintaining and ensuring high standards of corporate governance. The board of directors reviews the Group's corporate governance practices from time to time to ensure that they reflect the latest developments and meet shareholders' expectations.
- As on social aspects, the Group is committed to reshaping the landscape of the supply chain financing industry through the application of innovative information technology. The Group continued to provide diversified supply chain fintech solutions to SMEs to relieve their business pressure and to provide driving momentum to the industry ecosystem. The Group provides convenient and flexible solutions for SMEs directly, contributing to the real economy. With the mission of "making finance more inclusive", the Group will share the success of development with a wider range of stakeholders to improve the sustainability of markets, workplaces, communities and the environment, so as to create value for the society.
- As on environmental aspects, the Group is committed to promoting low carbon operation in an active manner. Internally, we encourage our employees to make their own efforts to conserve resources and energy. Externally, we have established a comprehensive online platform for our business operation, which can effectively reduce the amount of paper used for operation and the carbon footprint of our business trips for holding meetings with customers.

During the reporting period, all directors participated in a webinar on climate change and the corresponding duties of directors and received two presentations from the ESG Working Group on the Group's ESG work.

The board of directors of the Company assumes ultimate responsibility for the Group's ESG work, with specific responsibilities including:

- Guiding and reviewing the vision, objectives and strategies of the Group's ESG work to ensure that the Group's ESG management policies are up-to-date and in compliance with applicable legal and regulatory requirements and international standards;
- Evaluating and managing material ESG-related matters, including but not limited to:
 - Identifying the risks and opportunities arising from ESG issues, including climate change, for the Group's business;
 - Determining whether relevant ESG issues will have a significant impact on the Group's investors and other stakeholders, and identifying, evaluating and ranking the key ESG issues relating to the Group's business management;
 - Monitoring and reviewing emerging ESG trends and issues and evaluating their impact on the Group;



- Setting targets for the Group's ESG performance, monitoring and reviewing the implementation of the Group's ESG work and carrying out relevant assessments;
- Receiving reports from the ESG Working Group and the management, as well as reviewing and approving ESG information disclosures;
- Overseeing or approving other material matters in relation to the Group's ESG management.

2.2 STAKEHOLDER ENGAGEMENT

The Group attaches great importance to communication with various stakeholders, sincerely listens to the expectations and demands of stakeholders and responds to their feedback in a timely manner, thereby fulfilling its social responsibility and creating value for stakeholders while operating in compliance with relevant laws.

Stakeholders	Communication methods	Expectations and demands	Our responses
Government and regulatory authorities	<ul style="list-style-type: none"> • Regular communication • Information reporting • Seminars and surveys • Annual/interim financial reports • Responses to questions of stock exchange (by phone, mail, etc.) • Connect with the Credit Reference Center of the People's Bank of China 	<ul style="list-style-type: none"> • Compliant operation • Stringent internal control and risk management • Transparent information disclosure 	<ul style="list-style-type: none"> • Pay taxes in accordance with the laws • Strengthen risk management • Adjust internal business processes and standards in accordance with regulatory requirements • Fulfill information disclosure obligations in accordance with the "Listing Rules"
Customers/potential customers	<ul style="list-style-type: none"> • Onsite interviews • Brochures, reports and other promotional materials • Official website • Business system platform • Mail and hotline 	<ul style="list-style-type: none"> • Honest practice of staff • Customer data protection • Customer inquiries and complaints 	<ul style="list-style-type: none"> • Provide ways for filing complaints through the official website as channel for customers to monitor the behavior of employees • Maintain the security and privacy of customer information in the business system • Properly respond to customer inquiries and complaints • Marketing activities • Visit customers • On-site due diligence at entry stage • Ongoing post-loan monitoring



Stakeholders	Communication methods	Expectations and demands	Our responses
Shareholders/ investors	<ul style="list-style-type: none"> • Due diligence • Roadshows • Shareholders' general meetings 	<ul style="list-style-type: none"> • Provision of corporate information in compliance with relevant regulations • Stable relationship and valuation • Enhanced standards of ESG management and disclosure 	<ul style="list-style-type: none"> • Respond to investors' concerns about ESG and corporate governance • Organize shareholders' general meetings • Visit investment institutions and analyst teams
Funding partners/ banks	<ul style="list-style-type: none"> • Due diligence • Design of financing framework • Pre-loan and post-loan reports 	<ul style="list-style-type: none"> • Provision of corporate information in compliance with relevant regulations • Solid operating and financial performance • Enhanced standards of ESG management and disclosure • Exploration of ESG financing channels 	<ul style="list-style-type: none"> • Respond to funding partners' concerns about ESG and corporate governance
Suppliers/business partners	<ul style="list-style-type: none"> • Official website • Letter of undertaking of integrity • Quotation, tender, procurement and after-sales service • Business system platform • Mail and offline documents, etc. 	<ul style="list-style-type: none"> • Fair and transparent procurement process • Suppliers and product quality that meet relevant standards 	<ul style="list-style-type: none"> • Provide ways for filing complaints through the official website as channel for suppliers to monitor the procurement behavior of the Company • Require suppliers to sign a letter of undertaking of integrity when signing a business contract • Select suitable suppliers according to the procurement policy • Procure data services such as business information and public opinion analysis

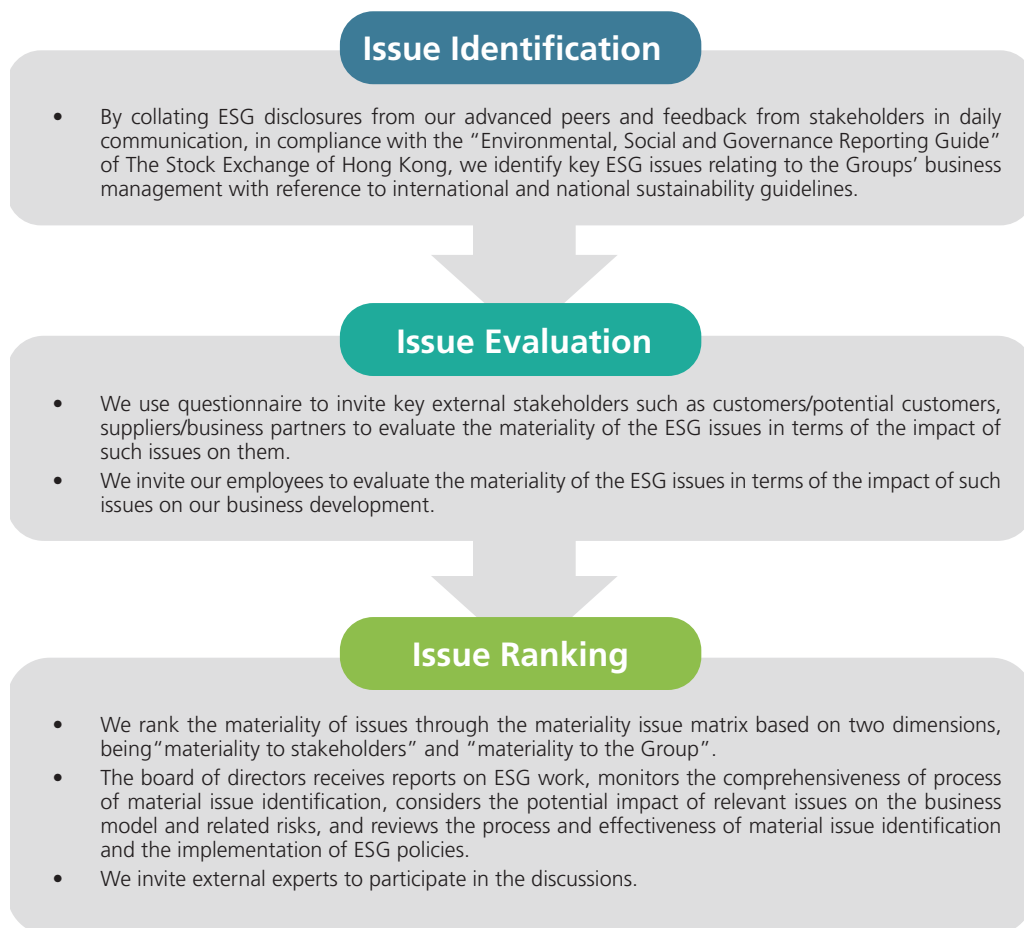


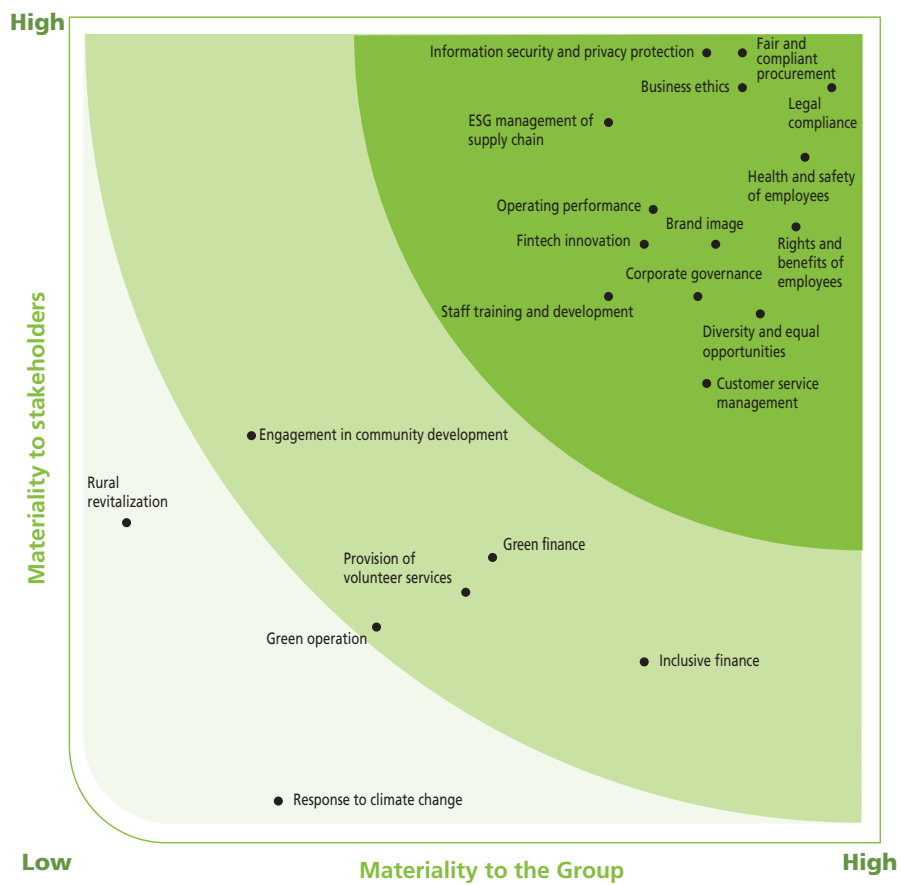
Stakeholders	Communication methods	Expectations and demands	Our responses
Employees	<ul style="list-style-type: none"> Recruitment, promotion, training, performance assessment, and monthly interview Internal audit and letter of undertaking of integrity Inter-departmental meetings Mail and office software 	<ul style="list-style-type: none"> Legal and healthy employment relationship Honest practice of staff Compliant corporate structure and business operation 	<ul style="list-style-type: none"> Establish staff recruitment, promotion and appraisal systems Create a healthy and fair working environment Provide communication channels Ensure that employees' business conducts comply with corporate rules of the Group through internal audit Require its staff to sign a letter of undertaking of integrity when joining the Group Convey concerns of directors and external parties to internal departments of the Group Conduct procurement or other services according to procurement standards and actual needs of staff
Public/community	<ul style="list-style-type: none"> Trade conferences Interviews WeChat official account Official website Cooperation with charitable organizations and communities and business units 	<ul style="list-style-type: none"> Corporate image Corporate social responsibility and public welfare 	<ul style="list-style-type: none"> Attend relevant trade conferences or forums Media interviews with senior management Promotion through official website and WeChat official account Establish a foundation, participate in public welfare activities and make donations



2.3 MATERIAL ISSUE ANALYSIS

In 2021, the Group continued to carry out its ESG materiality issue evaluation. A total of 241 questionnaires were collected in the survey. After identifying, evaluating and ranking the issues, 21 material issues were identified as priority areas for the Group's sustainability management and are highlighted in this report.





2021 ESG Materiality Issue Matrix of SY



Degree of importance	Area	Issue
Issues of high importance	Company governance	Corporate governance Legal compliance Business ethics Operating performance Brand image
	Responsibility for customers	Fintech innovation Information security and privacy protection Customer service management
	Responsibility for employees	Diversity and equal opportunities Staff training and development Rights and benefits of employees Health and safety of employees
	Responsibility for supply chain management	Fair and compliant procurement ESG management of supply chain
Issues of medium importance	Responsibility for customers	Inclusive finance
	Responsibility for green development	Green finance Green operation
	Responsibility for community	Engagement in community development Provision of volunteer services
Issues of low importance	Responsibility for green development	Response to climate change
	Responsibility for community	Rural revitalization



3. TECHNOLOGY EMPOWERMENT TO ACCELERATE FINANCIAL INCLUSION

3.1 FINANCIAL INCLUSION WITH INNOVATIVE FINTECH

Activating the Power of Innovation

SY has rooted the pursuit of innovation in its corporate values and forged a quality supply chain of financial service system with its technological strength. We continue to improve the innovation incentive mechanism and formulate incentive policies such as “Project Incentive Policy of SY Holdings Group Limited”, “Reward and Punishment Policy of SY Holdings Group Limited” and “R&D Project Policy of SY Holdings Group Limited”, to fully reward individuals who are boldly innovative in their business and technical research projects that are in line with the Group’s development strategy and able to solve major problems of existing products or bring significant improvements. At the same time, we attach great importance to the building of our research and development team. As the end of the reporting period, R&D staff accounted for 26% of the Group’s total staff (including outsourced personnel).

Shenzhen: Digital Finance R&D Hub

SY Cloud Platform R&D Hub
Digital finance product design
Risk control strategy and data modelling

Wuxi: Industrial Technology R&D Hub

Entered into strategic cooperation with
Wuxi Economic Development Zone
in the field of IoT technology
Established East China regional headquarters
Industrial technology software and hardware
algorithm R&D

Tianjin: Platform Operations Hub

Strategic cooperation with Tianjin Dongjiang Free Trade Port Zone in the
field of supply chain fintech
Data security and directly connected to PBOC’s Credit Reference System
Platform operation and customer service hub

SY’s R&D and Operations Hub



SY's Technology Empowerments

Artificial intelligence	Natural Language Processing (NLP) Optical Character Recognition	<ul style="list-style-type: none"> o OCR recognition accuracy $\geq 97\%$ o Smart pre-approval o Exclusive smart credit system
Cloud	SY Cloud Platform	<ul style="list-style-type: none"> o 100% Online o Full desktop and mobile coverage o Convenient user experience
Big data and data analysis	Multi-dimensional data processing	<ul style="list-style-type: none"> o Data of approximately 1.5 million suppliers o Automated batch data searching and validation o Smart pricing
Internet of Things	Smart construction site Hospital SPD	<ul style="list-style-type: none"> o Business digitalisation o Real-time video monitoring and smart analysis o Maximising operational efficiency

In addition, in June 2021, SY Factoring Limited ("SY Factoring"), a subsidiary of SY, was officially approved to set up a national post-doctoral research centre, becoming the first factoring company in the PRC to establish a post-doctoral research centre, and is qualified to recruit post-doctoral researchers. The establishment of the post-doctoral research centre of SY Factoring will be an effective carrier of SY's independent innovation capability, which is of great significance to the Group in improving its technological innovation strength and facilitating the transformation of scientific and technological achievements.

Protecting Intellectual Property

Protecting intellectual property rights is protecting innovation. We strictly comply with the requirements of the "Trademark Law of the People's Republic of China", the "Patent Law of the People's Republic of China", the "Copyright Law of the People's Republic of China" and other relevant laws and regulations, and have formulated management policies such as the "Information Security Code of Conduct for Employees of SY Holdings Group Limited" and the "IT Asset Management Code of SY Holdings Group Limited", and embedded intellectual property protection requirements into the "Employee Manual of SY Holdings Group Limited" and the "Confidentiality Agreement of SY Holdings Group Limited" and other internal policy documents to prevent intellectual property infringement.

As at the end of the reporting period, Sheng Ye Information Technology Service (Shenzhen) Co., Limited ("SY Technology"), a subsidiary of SY, had obtained 42 computer software copyright certificates (compared with 14 new certificates for the same period last year), 1 software product certification and 3 invention patents under application for review.



Featured topic: Solving Financing Difficulties for SMEs

The “14th Five-Year Plan for Promoting the Development of SMEs” (《「十四五」促進中小企業發展規劃》) states that the development direction of the fintech industry is to improve the financing ability of SMEs. Since its establishment, SY has been concerned about the pain points of difficult and expensive financing of SMEs, which cannot be solved by traditional financial models. We regard “technology” as the most crucial element in the supply chain, and expect that through our self-developed technology platform, we can help SMEs to reduce the costs of information collection and exchange, customer transactions and labour, while gradually expanding the service boundary, so that the data-based, systematic, and smart finance model of supply chain can cover more SMEs, core enterprises and financial institutions.

SY provides comprehensive solutions to address industry pain points

	Core pain points	Creation of values
SMEs	<ul style="list-style-type: none"> o Long accounts receivable cycle, capital constraints o Lack of suitable financing channels with difficult and expensive financing o Cumbersome offline procedures and application process with poor customer experience 	<ul style="list-style-type: none"> o Increased scale and strength of business through flexible financing o Stronger relationships with core purchasers
Core enterprises	<ul style="list-style-type: none"> o Lack of information management system, non-transparent information o High management costs due to offline manual processes o Inefficient procurement and supplier management 	<ul style="list-style-type: none"> o Enhancing operational efficiency o More effective cost management o Higher profitability
Financial institutions	<ul style="list-style-type: none"> o Difficulty in acquiring quality SME loan customers o Inability to effectively assess the credit profile of SMEs due to information asymmetry or opacity o Difficulty in processing small and scattered loans in batch due to lack of efficient fintech capabilities 	<ul style="list-style-type: none"> o Serving more SMEs through SY’s efficient customer acquisition o Empowered by financial technology to enhance risk management



Open cooperation for innovative service offerings

- Based on the loan facilitation platform business model of information sharing and big data development and utilisation, SY cooperates with a number of banks to develop inclusive financial products and provide financing channels for SMEs.

Diversity and flexibility to meet customized needs

- Driven by our self-developed customer pre-credit approval mechanism and industry risk assessment model, we offer a wide range of financing products covering the entire supply chain settlement cycle, with more competitive financing rates and flexible repayment plans around different stages of the entire settlement process in the supply chain.

Improving customer experience with high quality and efficiency

- Independent research and development of OCR products such as card and certificate recognition, bill recognition, contract recognition, financial report recognition, credit report recognition, and common text and form recognition with standard format template recognition rate of more than 99% and common text recognition rate of more than 95%, which achieves high-speed and precise performance, making possible for response within seconds.

Total number of SMEs connected to the platform

10,358 enterprises

Total amount of SME Loans

RMB **15.4** billion (Note 1)

Total amount of direct SME loans

RMB **11.6** billion

SME loan customers

99% (Note 2)

Average loan size

RMB **~2.8** million

Average loans tenure

~3 months (Note 3)

Direct SME loan balance

97% (Note 4)

Cumulative supply chain assets processed by the platform

RMB **132** billion

Loan processing time saved

90%

Note 1: During the reporting period, the total amount of SME loans includes: i) total amount from direct loan business, which represents the total loan amount of approximately RMB11.6 billion directly provided by the Group to SMEs; and ii) total amount from loan facilitation business, which represents the total loan amount of approximately RMB3.8 billion provided by third-parties to SMEs which were facilitated by the Group

Note 2: The number of SME customers in direct financing business/total number of customers in direct financing business, and the number of SME customers in loan facilitation business/total number of customers in loan facilitation business (both are 99%) during the reporting period

Note 3: Flexible repayments are allowed

Note 4: The balance of direct loans to SME customers/balance of direct loans to all customers as at the end of the reporting period

SY Cloud Platform: Enhancing industry supply chain management capabilities

Based on years of industrial experience and fintech innovation, SY brings core enterprises, SME suppliers and financial institutions in the supply chain scenario onto a cloud platform, combining various fintech technologies to help SMEs in financing and empower financial institutions with its powerful big data risk control technology.

SY Digital Finance		Traditional Bank Factoring
Range of Offerings	o Covers the entire supply chain settlement cycle allowing for more innovative solutions	o Notification-based factoring o Unable to timely alleviate SME pain points
Customer Experience	o SY Cloud Platform is fully online o Convenient and flexible	o Application process largely offline o Cumbersome
Flexibility	o Big data driven, more precise and efficient o Ability to offer competitive financing rates and flexible repayment schemes	o Following traditional credit risk control mechanisms, without additional support from real-time data and flexibility o More requirements and limitations
Risk Control	o Rigorous risk control structure based on real transactions, with a huge monitoring database to ensure the authenticity and reasonableness of transactions	o Focus on credit records of core purchasers

As at the end of the reporting period, SY Cloud Platform has connected 10,358 SMEs, representing an increase of nearly 40% as compared with the end of 2020, and the cumulative supply chain assets processed amounted to RMB132 billion, representing an increase of over 30% as compared with the end of 2020. In January 2022, SY Cloud Platform has obtained the highest-level certification of the national security system for non-banking institutions, providing a strong technical backing for big data analysis, accurate customer acquisition and business innovation for SY's supply chain technology platform.

3.2 DATA-DRIVEN ENHANCEMENT OF RISK CONTROL CAPABILITIES

A sound risk control system is the core of financing services, and fintech plays a vital role in it.



As at the end of the reporting period, the NPL ratio* of supply chain assets was **0.29%**

Sound Risk Control Framework

SY's risk control system focuses on the implementation of inclusive finance, and is based on the three core risk control concepts of "1+N", "authentic transactions" and "closed-loop funding", which relies on accumulating credit profile of SMEs in the industry ecosystem to efficiently solve their financing pain points such as difficulty in financing, complicated procedures and lengthy approval process.

* NPL ratio = End of the reporting period gross carrying amount of NPL / End of the reporting period gross carrying amount of total supply chain assets x 100%
NPL (Non-performing assets): Assets that are credit impaired or more than 90 days overdue



Select high-quality enterprises with our “1+N” concept based on the industry ecosystem

- “1” represents that we select high-quality core enterprises with good creditability and strong performance capability in industry markets with large market size and strong economic cycle resistance.
- “N” represents that based on the selected high-quality core enterprises and their industry conditions, we obtain customer referral and accumulate a large amount of authentic transaction data through our long-term close cooperation relationship, and conduct comprehensive analysis of data from multi-channel and multi-dimensional data sources based on our in-depth understanding of the characteristics of the industry, from which high-quality customers are selected.

Verify multi-dimensional data and explore high-quality assets based on the “authentic transactions” concept

- We examine the authenticity and reasonableness of the transactions based on comparative analysis of a large database, so as to screen out high-quality receivable assets.
- Through onsite visits, due diligence, delivery video collection and verification, and based on our in-depth understanding of the industry, we cross-examine transaction data and industry data such as material prices to ensure that the transactions are authentic and reasonable.
- After granting the loans, we continue to monitor the assets through regular monitoring of repayment, invoice status verification and 24-hour public opinion monitoring to ensure that the entire financing process is under comprehensive, continuous and effective management and control.

Enrich account system and ensure control of fund collection based on the “closed-loop funding” concept

- We establish close cooperation with various banks, open customer accounts, collect and monitor the repayment information in a timely manner, and effectively track the customers’ continuity of business operation and stability of cooperation with core enterprises, thereby further strengthening the last line of defense of risk control and realizing closed-loop funding.

Strengthening Risk Control

SY has established a dual risk evaluation system based on subject and transaction-oriented risk evaluation and logically based on multi-dimensional data analysis of enterprise and transaction behaviours, providing convenient and fast supply chain financing services to a wide range of SMEs with difficulty in obtaining traditional credit support.

SY’s Data-Driven Core Risk Control Logic

Data-based risk management	Industrialised perception of risk control	Multi-dimensional data for anti-fraud
o Transactionalisation of financial position Judging the financial position of SMEs by their transaction status	o Industry attributes of the transaction Analyse the core of industrial transactions based on the full transaction process	o Transaction authenticity verification Use the system to cross-verify the consistency of information from multiple sources
o Comprehensive automated monitoring To deal with the complex and changing status of SMEs with various factors of disruption	o More parties involved in the transaction Transactions are no more limited to purchasers and sellers	o Determining the reasonableness of transaction Verify and assess the transaction price, quantity, billing period, payment status, etc. to ensure the transaction is reasonable



While we continue to sort out the logic of data-driven core risk control, we are also strictly controlling environmental and social risks along the industry chain to improve the sustainable business development model.

SY's sustainable business access standards:

- "Project Whitelist of SY Holdings Group Limited for Infrastructure Sector": Infrastructure facilities (public transport facilities and roads, municipal pipe network, etc.), public buildings (public schools, hospitals, cultural and sports stadiums, parks, greenery, etc.), industrial parks (industrial parks and ancillary facilities, logistics and storage, etc.) and new infrastructure projects (new energy facilities, big data center, artificial intelligence, industrial internet, etc.) have the priority for access.
- "Project Whitelist of SY Holdings Group Limited for Pharmaceutical Sector": Public hospital cooperation projects and projects admitted to medical insurance have the priority for access.

Integrating Data Resources

Integrates with PBOC Credit Reference System to further unleash the vitality of SMEs with good credit

In February 2021, SY Factoring successfully opened a credit report inquiry account in the Second Generation Credit Reference System of the People's Bank of China ("PBOC Second Generation Credit Reference System"). SY Factoring is one of the first factoring businesses in Tianjin to connect to the PBOC Second Generation Credit Reference System, allowing SY Factoring to make credit inquiries of enterprises directly.

Enhances public data monitoring system

In September 2021, SYIT and a leading SaaS service provider for sales of intelligence in China, have entered into a cooperation agreement in the field of publicly available data. Based on a "big data + public opinion intelligence" cooperation model, they have built a multi-dimensional public opinion data monitoring system and completed the analysis and monitoring of thousands of data resources related to SY's core industries.

3.3 COMBINING INDUSTRY AND FINANCE TO ACCELERATE INDUSTRY UPGRADING

SY is actively pursuing the "Dual Engines" strategy of cross-empowerment of "Industry Technology" and "Digital Finance". We believe that such combination of industry and finance will not only help SME suppliers to improve operational efficiency, but also improve the risk control and asset quality.

Supporting a Smart Infrastructure Industry

Traditional construction sites follow an extensive development model and still suffer from various monitoring and management problems such as difficult safety management for construction site, large number of workers, complex approval processes, confusing material management and difficulty in controlling construction progress, and are in a difficult position of high consumption, low technology, high input and low output. With the development of the digital economy, the transformation of construction informatization and digital intelligence has become an inevitable trend and choice for the infrastructure industry, as well as an endogenous driving force for the high-quality development in the field.



SY takes infrastructure, a national strategic industry, as its key area of focus. It uses the SaaS system of IoT and big data analysis to break through information barriers and intelligently link the asset-ends and the capital-ends, and through innovative solutions such as the smart construction site system, the elements involved in the construction process, such as workers, machines, materials, methods and environment, are collected in real time and dynamically, which effectively supports site operators and project managers to improve construction quality, costs and progress, and helps the infrastructure industry to achieve intelligent upgrading.

“Smart construction solutions”: Facilitate digital upgrading of construction sites

Under the wave of informatization and intelligentization, SY’s “smart construction site solution” has been developed to address the pain points of traditional infrastructure projects. The solution integrates technologies such as big data, cloud computing and artificial intelligence into buildings, construction machinery, wear equipment and site gates to maximise the collection of data on materials, workers, safety and environment, enabling collaboration between operators and the construction site environment, improving construction safety and optimizing resource allocation.

- **Safeguarding production safety** : to provide face recognition solutions and virtual reality safety education experiences, as well as monitor security measures in a real-time manner and issue alerts
- **Serving green construction** : to minimize energy consumption, material consumption and water consumption, reduce construction waste generation, and mitigate the impact on the surrounding environment of the construction sites
- **Improving management efficiency** : to build AI monitoring cameras, AI smart screens and other functions to realize data integration and sharing
- **Reducing construction costs**
- ...



During the reporting period, with its smart supply chain management and industrial technology capabilities, SY Technology successfully obtained two national research platform “Smart Construction Site” projects, accelerating the industrial IoT business layout (picture: visual representation of the Peng Cheng Laboratory project)

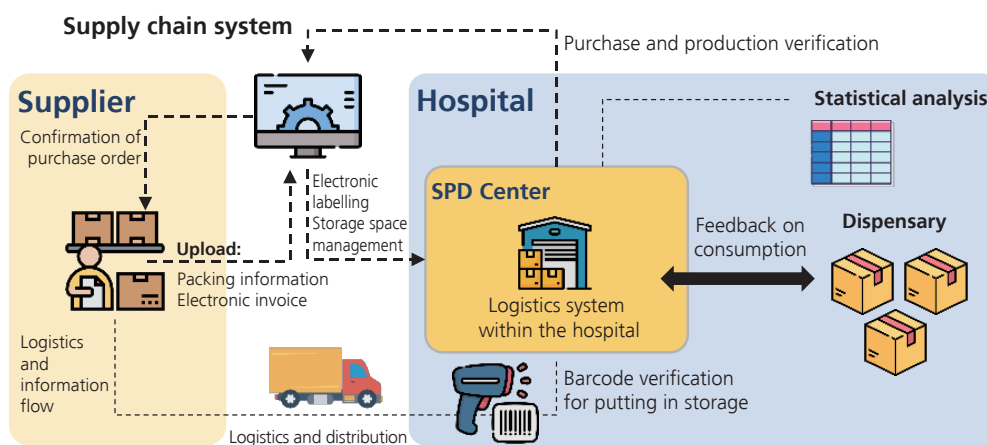


Supporting an Information-Based Healthcare Industry

As a crucial part of hospital cost control, the management of medical supplies is gradually changing to a refined and scientific direction so as to improve hospital control standards, control hospital costs and enhance hospital competitiveness. In addition, under the new healthcare reform of two-invoice system, zero mark up and separation of medicine and treatment, hospitals urgently need to improve the quality of management and medical services, which also creates the need for hospitals to establish closer cooperation with professional pharmaceutical commercial companies and supply chain information providers.

SY's "Hospital SPD Solution" (Supply/Processing/Distribution, "SPD") utilises the supply chain management SaaS software, IoT devices and big data operations to further implant supply chain ecosystem in the healthcare industry through industry technology, which combines with cooperation with the medicine information traceability system to realize dedicated management and deployment of medical consumables and ensure the storage and acceptance for inspection of medical supplies met the standards, as well as to break through data barriers for providing customers with one-stop intelligent supply chain management and financial services.

The medical SPD supply chain management aims to ensure the quality and safety of medical consumables in the hospital and meet clinical needs. It is supported by logistics information technology, and takes professional management of various aspects as a method to strengthen the whole-process supervision of the hospital's medical consumables management department, focus on the coordination of external and internal needs, and adopts the centralized management mode for the supply, processing, and logistics distribution of medical consumables in the hospital.





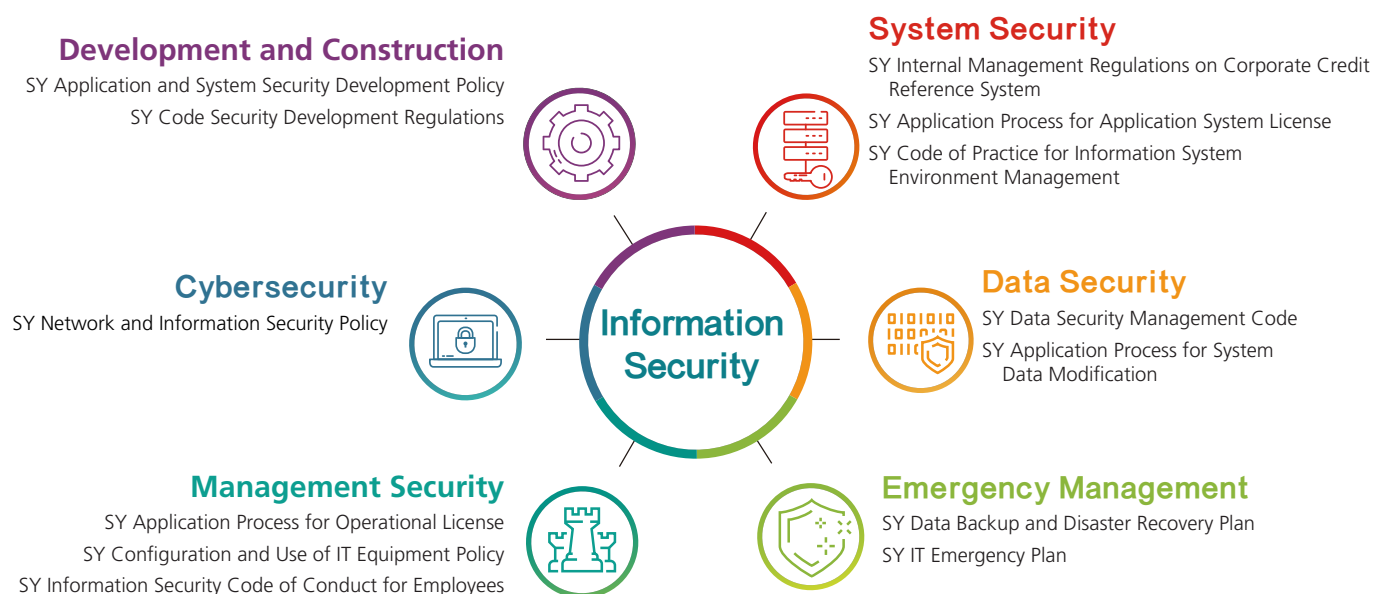
4. SOLID FOUNDATION WITH WELL-TRUSTED RESPONSIBILITY

4.1 BUILDING A STRONG SECURITY BARRIER

SY prioritizes information safety and protection of clients' privacy related work. "Data Security Law of the People's Republic of China" and "Personal Information Protection Law of the People's Republic of China", which became effective sequentially in 2021, stipulate that the processing of personal information shall comply with the principles of lawfulness, fairness, honesty, minimum necessity, openness and transparency and shall have a specific and reasonable purpose of processing. SY complied with the "Civil Code of the People's Republic of China", "Cybersecurity Law of the People's Republic of China" and other laws and regulations to continuously improve information security management and enhance customer privacy protection. During the reporting period, we did not experience any form of leakage of client data, nor did we receive any complaints from clients regarding privacy and security.

Safeguarding Information Security

SY has long been committed to building a data security system that fits its strategic development, protects the interests of the Group and meets regulatory requirements, so as to safeguard the sustainable development of its platform strategy. During the reporting period, SY established a professional and comprehensive data security working group to continuously optimize the management and protection mechanism of the data security lifecycle, continuously improve and formulate a number of information security-related systems and processes, improve our information security system and standardize the development, processing and management of information data in all aspects, thereby effectively improving the level of information security protection.



SY Information Security Policies

Safety Development

- Follow the principle of safety development, all websites are served using encrypted HTTPS to prevent the transmission of information leakage;
- A series of internal management processes have been established to control the access, enquiry and modification of customer information by internal staff and external visitors.

Safety Protection

- Establish host anti-intrusion system and email anti-virus system;
- Protect the enterprise's internal network security, terminal security and application system security by building anti-virus system, terminal security management system, network firewall and other security technology platforms.

Safety Response

- Back up customer data through the establishment of a data backup system to ensure the recoverability of customer data in the event of disaster;
- Improve the disaster backup mechanism and conduct quarterly drills to ensure the availability of the disaster backup mechanism.

Safety Auditing

- Optimize the corporate network structure, establish a network access policy and conduct regular audits;
- Establish a database audit system and integrate the database access rights process with audits to ensure compliance of data access;
- Establish a host license management system and integrate it with auditing to ensure server access control;
- Optimize the application system license management process and configuration, and integrate with auditing to ensure the compliance of license allocation.

Information Security Management Measures

During the reporting period, we obtained Level III certification from the National Information Security Level Protection Certification and ISO/IEC 27001:2013 International Information Security Certification from CEPREI, an authoritative body, signifying that SY's information security management capability has reached the highest level of the industry standard and can fully ensure the high security and confidentiality of the platform's user information and private data. It is a milestone for SY in terms of compliance, system security and customer information protection.



National Information Security Level Protection Certification



ISO 27001 Information Security Certification



Protecting Customer Privacy

As a financial services provider, SY understands the importance of protecting data privacy. SY is committed to protecting the personal information and privacy of our customers and has incorporated this into our employee manual to clarify our staff's responsibilities and obligations in relation to privacy protection. Unauthorised access to or disclosure of confidential information (including transaction records and customer identities) is strictly prohibited.

Employee Commitment



Employees are required to sign a confidentiality agreement at the time of employment that they will not disclose, publicize or use any confidential information, transactions or other information (including trading data, customer data) relating to the Company or its business.

Client Authorisation



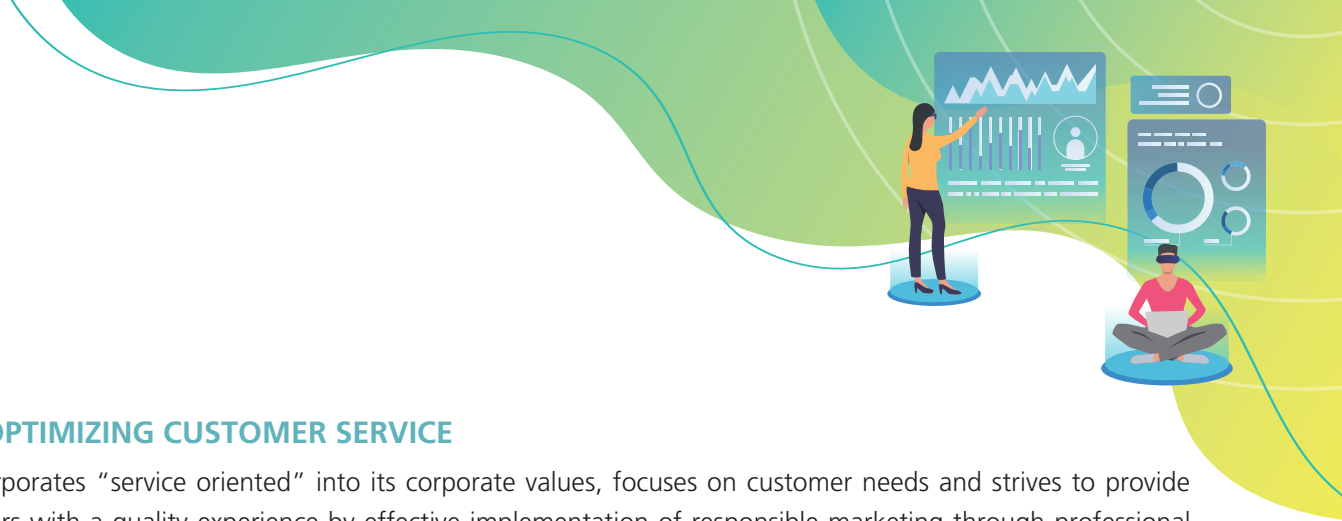
Customer information may only be accessed through the Credit Reference System with the prior written authorisation of the customer.

Authorisation Management



The SY Cloud Platform and other systems will only open up module licenses based on actual work needs and the minimization principle and subject to approval by supervisors.

Customer Privacy Protection Measures



4.2 OPTIMIZING CUSTOMER SERVICE

SY incorporates “service oriented” into its corporate values, focuses on customer needs and strives to provide customers with a quality experience by effective implementation of responsible marketing through professional and efficient means and methods. At the same time, the Company adopts a multi-channel approach to establish a smooth communication system with customers to ensure customer experience and continues to create value for customers.

Implementation of Responsible Marketing

The Company operates lawfully within the scope of business permitted by the regulations in strict compliance with the “Notice of the General Office of China Banking and Insurance Regulatory Commission on Strengthening Supervision and Administration of Commercial Factoring Enterprises”, the “Interim Measures for Supervision and Administration of Commercial Factoring Companies in Tianjin” and other laws and regulations of the country and the place of operation. The Industry Financing Department of the Company has formulated the “General Rules and Regulations of the Industry Financing Department of SY Holdings Group Limited” to establish an awareness of active risk management, and will investigate and punish any arbitrary promises made to customers or acts beyond authority in accordance with the “Employee Manual of SY Holdings Group Limited” and “Anti-Corruption and Whistleblowing Policy of SY Holdings Group Limited”. The Strategic Development Department has formulated the “General Rules and Regulations of the Strategic Development Department of SY Holdings Group Limited”, and the Brand Public Relations Function Group is responsible for supporting the promotional and marketing activities and materials of the business departments, requiring external output materials to be reviewed and confirmed by relevant departments such as the Legal Affairs, Finance and Governance Departments before publication. A series of measures are in place to ensure that the marketing process is fair and accurate and to protect the legitimate rights of customers. During the reporting period, the Company was not aware of any incidents of non-compliance with the information and logos of its products and services, nor any incidents of non-compliance with the marketing and promotion regulations.



Principle	Policy	Initiatives
Transparent product information	<ul style="list-style-type: none"> Compliance with policies and systems such as the "Civil Code of the People's Republic of China", "SY Holdings Group Limited SY Cloud Platform Client Guidelines" and "SY Holdings Group Limited Platform Operations Department Post-Loan Management Operation Guidelines" 	<ul style="list-style-type: none"> The business agreement and line of credit consent form signed with the customer contains clear information on the maximum amount and term, scope of services, interest rate and service fee cap, etc.; Sending monthly statements to customers and providing a dispute verification process; The entire process of customer access, business application and approval (including the overall limit, individual business quotation and adjustment, capital matching and lending) is carried out on the SY Cloud Platform, and customers can check business records and details through the Cloud Platform.
Preventing excessive debt	<ul style="list-style-type: none"> Complying with policies and systems such as "Regulations on Ensuring Payments to Small and Medium-Sized Enterprises", "Notice of the General Office of China Banking and Insurance Regulatory Commission on Strengthening Supervision and Administration of Commercial Factoring Enterprises", "Interim Measures for Supervision and Administration of Commercial Factoring Companies in Tianjin", "Credit Management Policy of SY Holdings Group Limited", "Post-Loan Management Policy of SY Holdings Group Limited", "Credit Facility Management Policy of SY Holdings Group Limited", "Customer Rating and Risk Premium Management Policy of SY Holdings Group Limited" etc. 	<ul style="list-style-type: none"> Based on our understanding of the industry and supply chain, we help our SME customers turn their illiquid receivables into funds through supply chain finance, so as to achieve working capital turnover and avoid the large amount of receivables from crowding their own funds which are already insufficient; At pre-loan period, we implement a two-tier limit on the buyer's credit line and the seller's credit line, and provide supply chain financial services to the customer (i.e. the seller) within the limit based on a certain percentage of the receivables arising from the underlying transactions between the buyer and the seller, so as to prevent the customer from over-indebtedness; At post-loan period, we will continue to monitor and manage our risk assets, using multi-dimensional data to conduct comprehensive and timely tracking and inspection, and monitor changes in our customers' creditworthiness, operating efficiency and the quality of their underlying assets, so as to achieve the objectives of risk alert, risk mitigation, risk prevention and improving the quality and efficiency of supply chain assets. In the event of adverse changes in the customer's financial capacity or trading conditions, the customer's rating will be downgraded and new business will be suspended to avoid excessive borrowing by the customer.



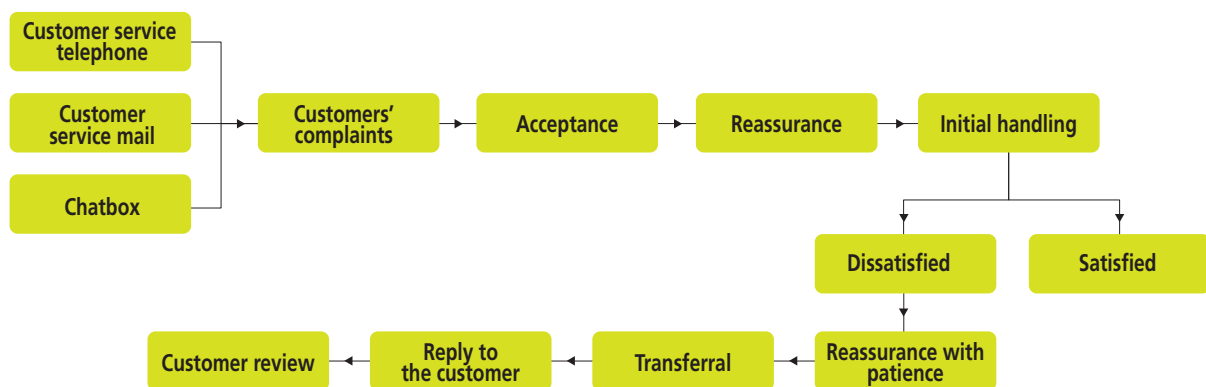
Principle	Policy	Initiatives
Treating customers fairly and respectfully	<ul style="list-style-type: none"> Compliance with policies such as "Anti-Corruption and Whistleblowing Policy of SY Holdings Group Limited", and "Customer Review Policy of the Platform Operation Department of SY Holdings Group Limited (for trial implementation)" 	<ul style="list-style-type: none"> Uniform internal risk control and operational management rules apply to the pre-loan, loaning and post-loan management of all customers, and there will be no price discrimination or differential treatment of specific customers or groups, except for different offers and processes resulting from different risk prices and ratings based on the output of such rules; Clients may report to the Company any misconduct that has occurred or may occur involving a member of SY staff, including soliciting bribes from clients, misappropriation, embezzlement, misappropriation or theft of clients' funds or property; Implementing customer playback to understand customers' experience of using the Company's products, eliminate customer objections, resolve customer complaints and extend service programs.
Appropriate product design and delivery	<ul style="list-style-type: none"> Follow policies such as "Credit Management System of SY Holdings Group Limited", "Post-Loan Management Policy of SY Holdings Group Limited", "Credit Line Management Regulations of SY Holdings Group Limited", "Customer Rating and Risk Plus Management Regulations of SY Holdings Group Limited", etc. 	<ul style="list-style-type: none"> Driven by the independently established customer pre-award mechanism and industrial risk assessment model, we provide a variety of financing products such as order factoring and receivables factoring at different stages of the whole settlement process of the supply chain, which not only flexibly meet the financing needs of SME customers at different transaction stages, but also solve the pain point that traditional financial institutions find it difficult to meet customers' individual needs.
Reasonable pricing	<ul style="list-style-type: none"> Follow policies such as "Credit Management System of SY Holdings Group Limited", "Post-Loan Management Policy of SY Holdings Group Limited", "Credit Line Management Regulations of SY Holdings Group Limited", "Customer Rating and Risk Plus Management Regulations of SY Holdings Group Limited", etc. 	<ul style="list-style-type: none"> Uniform internal risk control and operational management rules apply to the pre-loan, loaning and post-loan management of all customers, and there will be no price discrimination or differential treatment of specific customers or groups, except for different offers and processes resulting from different risk pricing and ratings based on the output of such rules.



Deepening Customer Experience

SY has formulated the “Anti-Corruption and Whistleblowing Policy of SY Holdings Group Limited” and “Customer Service Manual of SY Holdings Group Limited” to ensure timely, fair and reasonable resolution of customer problems and to provide high quality advisory and guidance services to customers. During the reporting period, we did not have any customer complaints.

In order to understand the needs of our customers in a timely manner, understand their experience in using our products, obtain valuable information, eliminate customer objections, resolve customer complaints and extend our services, we established the “Customer Review Policy of the Platform Operation Department of SY Holdings Group Limited (for trial implementation)” during the reporting period, specifying that a return visit would be made once every two months followed by the issue of an analysis report on customer review. In March 2022, we published the first “Customer Review Report” for internal circulation.



Customer Complaint Handling Process



5. BEING PEOPLE-ORIENTED AND SHARING THE FRUITS OF DEVELOPMENT

5.1 CREATING A HARMONIOUS WORKPLACE

Protecting Employees' Rights

We value employees as an important asset and the foundation of our success and growth. We strictly comply with national and local policies and regulations such as the “Labor Law of the People’s Republic of China”, the “Labor Contract Law of the People’s Republic of China”, and the “Employment Ordinance” and the “Immigration Ordinance” of the Hong Kong SAR, and have formulated a series of internal policies and regulations in the Group such as the “Employee Manual of SY Holdings Group Limited”, “Recruitment Policy of SY Holdings Group Limited”, “Internal Transfer and Rotation Policy of SY Holdings Group Limited”, “Internal Talent Recommendation Policy of SY Holdings Group Limited”, “Probation Period Policy of SY Holdings Group Limited” and “Attendance Management Policy of SY Holdings Group Limited” and other employment and human resources management rules to regulate the recruitment and promotion, remuneration and dismissal, working hours, rest time and other rights and benefits of employees.

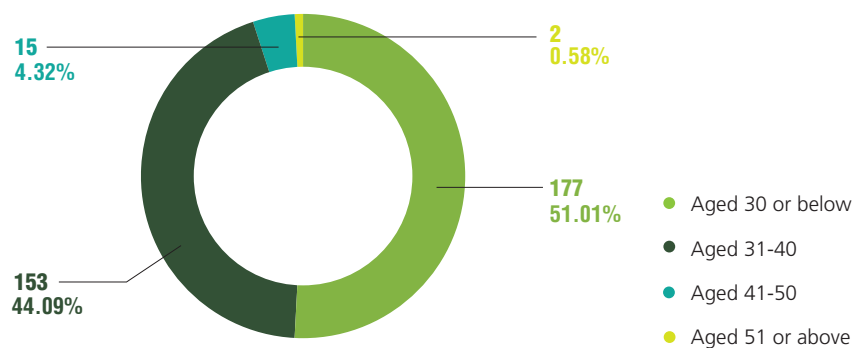
The Group pays social insurance and public reserve funds for its employees, and provides them with legal and reasonable working hours and rest periods. At the same time, we strictly prohibit child labour by strictly complying with international, national and local policies and regulations such as the “Regulations on Prohibition of Child Labour” and carefully check the age and other background information of job applicants in the recruitment process. During the reporting period, the Group did not have any cases of child labour and litigation or labour arbitrations with employees.



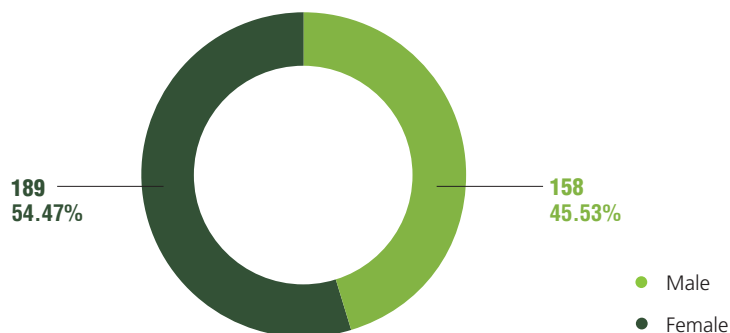
Building a diverse environment

SY strives to create an equal, inclusive and diversified workplace environment and insists on equal employment and equal pay for equal work, ensuring that discrimination in all aspects of recruitment, training and promotion on the grounds of gender, age, race, nationality, health status and maternity status is eliminated. As at the end of the reporting period, the Group had a total of 347 employees, all of which were full-time employees and 188 were newly recruited during the year.

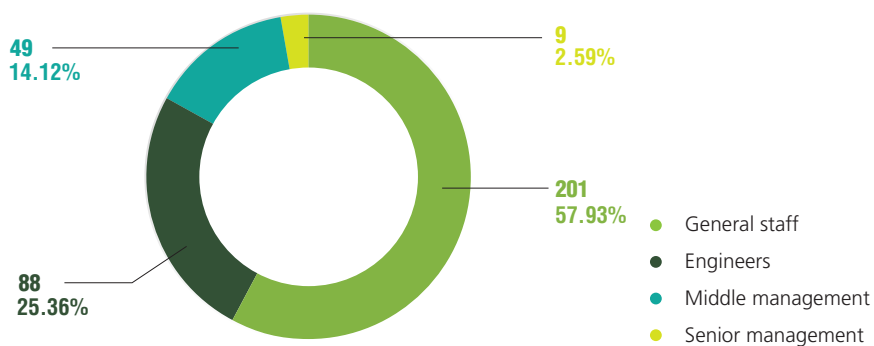
During the reporting period, the Group introduced and revised several human resources policies that, amongst others, the board of directors and senior management should oversee the diversity performance of the Group, the diversity principle shall be implemented in the recruiting procedures, and a formal talent pipeline development strategy including annual recruiting demands and external talent pools partnered with local universities shall be introduced.



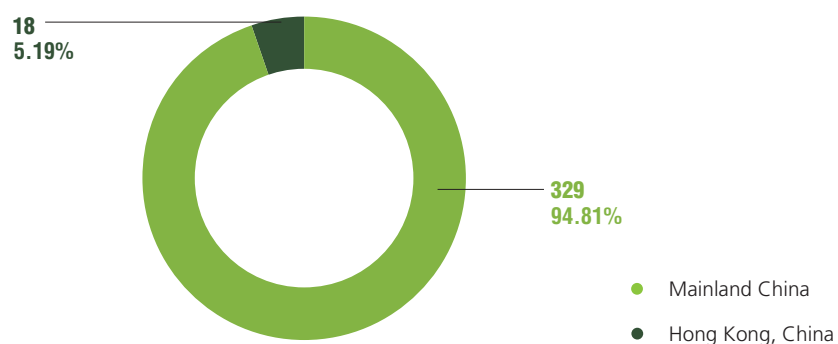
Number and Percentage of Employees by Age



Number and Percentage of Employees by Gender



Number and Percentage of Employees by Job Position



Number and Percentage of Employees by Geographical Region

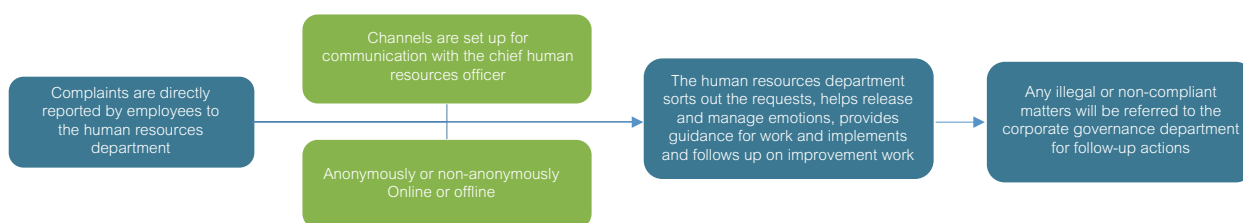
Indicator			2021
Employee turnover rate *			33%
	By gender	Male	34%
		Female	31%
	By age	Aged 30 or below	37%
		Aged 31-40	28%
		Aged 41-50	32%
		Aged 51 or above	0%
	By geographical region	Mainland China	34%
		Hong Kong, China	6%

* Employee turnover rate is calculated based on the number of employees who left the Group on a voluntary basis (excluding those retired and removed by the Group).



Strengthening Communication with Employees

SY attaches great importance to the self-motivation of its people and expects them to take the initiative to identify problems, think about solving such problems, propose solutions and create value. The Group provides communication and grievance channels for its employees in accordance with the relevant contents of the “Employee Manual of SY Holdings Group Limited” and “Anti-Corruption and Whistleblowing Policy of SY Holdings Group Limited”. Through a variety of communication channels, we can perceive the career development aspirations of our employees, encourage each of them to express their views courageously and contribute to the development of SY on a best effort basis. The Group conducts an annual engagement survey to monitor employee satisfaction. During the reporting period, the Group disclosed engagement results to all employees and certain improvement and actions were taken in response.



Grievance Reporting and Escalation

SY organizes seminars for new employees, monthly performance counselling and feedback, and face-to-face interviews between core talent and management on a regular basis, where employees can give feedback and seek help directly from the management.



Internal Press Conference on 2021 Interim Results



2021 Online Annual Meeting



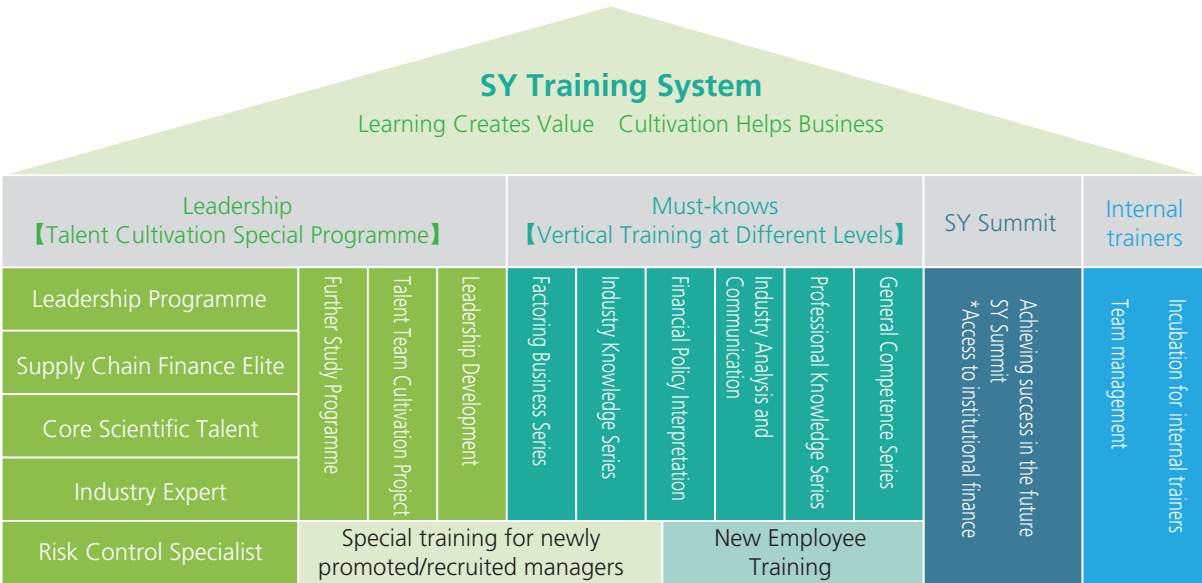
5.2 STIMULATING THE POTENTIAL OF TALENTS

SY places great emphasis on the development and growth of its employees, and has set up the training system with full coverage from different perspectives to provide employees in different positions and at different levels with development resources including online learning, job-specific training and cross-departmental sharing, as well as a variety of growth incentives to help employees excel in their work and in life.

Optimizing Training System

In terms of talent cultivation, SY has vigorously implemented the talent strategy, formulated and implemented the “Training Management System of SY Holdings Group Limited”, and fully leveraged and stimulated the endogenous power of talents through the leadership and reserve talent cultivation projects under the “Talent Cultivation Special Programme” and the “Vertical Training on Must-knows at Different Levels” and other talent cultivation modes, so as to integrate talent development into all aspects of talent training, fully leveraging and stimulating the endogenous power of talents, and building a multi-level and multi-type complex of talent.

During the reporting period, SY amended the “Training Policy of SY Holdings Group Limited” to clarify that the training programmes and support are applicable to all employees of the Group, including full-time employees, probationary employees, interns and part-time employees, and additional support are provided for employees to participate in professional programmes and obtain professional certifications.



Building a comprehensive training system to provide complete and vibrant talent supply chain for SY's rapid development



Indicator		Unit	2021
Total number of employee trainings		Session	77
Total number of trained employees		Person-time	4,098
Average number of training hours per employee		Hour per employee	21.61
Average number of training hours per employee by gender	Male	Hour per employee	16.98
	Female	Hour per employee	25.47
Average number of training hours per employee by job position	General staff	Hour per employee	27.40
	Engineers	Hour per employee	10.47
	Middle management	Hour per employee	20.20
	Senior management	Hour per employee	12.06
Percentage of trained employees		%	94.52
Percentage of trained employees by gender	Male	%	94.30
	Female	%	94.71
Percentage of trained employees by job position	General staff	%	93.53
	Engineers	%	95.45
	Middle management	%	95.92
	Senior management	%	100

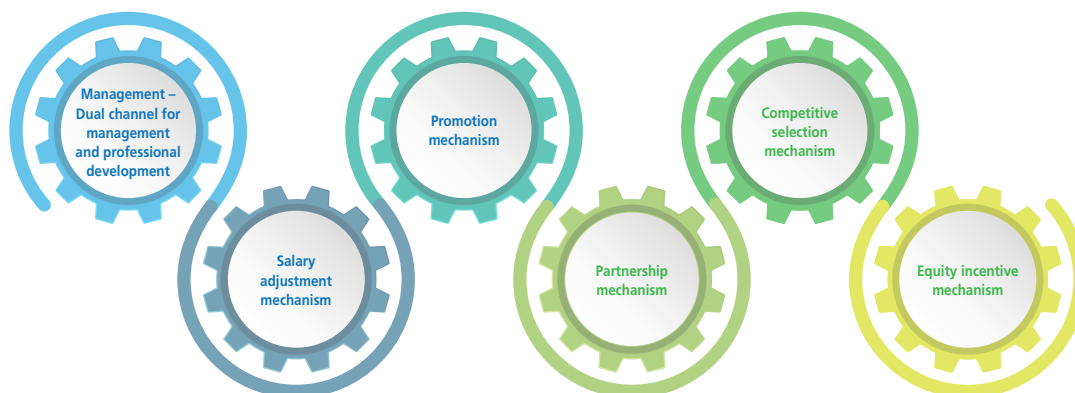
SY has upheld its own management philosophy of “not making judgement based on age or seniority” by providing more development opportunities for talents who are willing to develop and grow together with the Group to realise their self-worth. In order to continue to promote the positive SY spirit, SY has launched the “Spore Project”. Through the election of outstanding employees and the sharing of case stories, every employee of SY can draw nutrients and grow in this big family, continuously building a cultural atmosphere with the SY spirit.



Every quarter, a front-line employee who actively practices the Company’s values is selected as the inheritor of the SY spirit, so that the positive SY spirit can be spread endlessly

Motivating Talent Growth

Along with its rapid development, SY pays attention to the growth of each employee by formulating and implementing a series of incentive systems with SY’s characteristics, such as the “Performance Management Policy of SY Holdings Group Limited”, the “Reward and Punishment Policy of SY Holdings Group Limited (for trial implementation)”, the “Annual Salary Adjustment Policy of SY Holdings Group Limited” and the “Project Incentive Policy of SY Holdings Group Limited”. The Group conducts an annual performance appraisal for all full-time employees, and monthly/semi-yearly feedback and communications are provided.



SY has faith in people and teams and provides them with a wide range of opportunities



5.3 UNITING EMPLOYEES WITH CARE AND LOVE

Health and Safety Protection

SY always prioritizes the occupational health and safety of employees and is committed to providing a safe and healthy working environment for all employees. As at the end of the reporting period, the Group had not experienced any work-related injuries or deaths or lost days due to work injury for four consecutive years.

Employees' Insurance

- Provide all employees who pass the probationary period with insurance coverage, including social insurance, labour insurance and commercial accident insurance.

Employees' Medical Check-Up

- An annual medical check-up fund is provided for all employees who pass the probationary period. During the reporting period, the employee medical check-up rate was 74%.

Fire Drills

- Employees are urged to reduce the risk of fire by banning smoking in all enclosed areas of the office and actively participating in fire drills in the office building.

Pandemic Response

- Establish a Pandemic Prevention Team: synchronize pandemic information and protection recommendations to all employees in real-time, and report employee travel and health status in a timely and regular manner;
- Provide sufficient support: provide support for employees and their families with necessary anti-epidemic supplies and medical expenses;
- Flexible home office: allow employees to work from home to avoid the risk of infection due to crowd gathering;
- Promote an orderly resumption of work: implement important measures such as thoroughly disinfecting our offices, distributing pandemic prevention supplies and disseminating pandemic prevention information to ensure resumption of operation in an orderly manner.



Care for Employees

SY is committed to providing better treatment and protection for its employees and is constantly exploring innovative welfare mechanisms. In addition to the statutory benefits, we also offer a wide range of employee benefits. In order to enhance the sense of belonging of its employees, the Group provides quarterly funds for various departments to organize activities. We organize badminton/basketball clubs, family open days, cinema events and charity events on a regular basis to ensure that every employee has a good balance between life and work.

Gifts

Birthday
Wedding
Maternity

Team building activities

Monthly core talent dinner
Quarterly department team building
Internal trainer &
interdepartmental luncheon

Financial assistance

Critical illness assistance &
corporate fundraising
Interest-free loans

Cultural and sports activities

Football matches
Basketball matches
Movie appreciation activity

SY offers a wide range of benefits and cares for its employees

SY holds birthday parties for staff at all offices on a quarterly basis, prepares birthday gifts for birthday employees and provides birthday leave for full-time employees.





In accordance with the “Quarterly Team Building Activity Plan of SY Holdings Group Limited”, SY provides funding for team building activities for all departments four times a year, and encourages cross-departmental activities to enhance team cohesion; at the same time, we launch quarterly team-building selection activities to encourage employees to vote for their favourite activities. The top 3 with the most votes will be awarded additional team building funds to be used in the next team building activity, thereby enhancing employees’ participation and motivation.





6. CREATING AN ENVIRONMENTALLY FRIENDLY LOW-CARBON MODEL

6.1 PRACTISING LOW-CARBON FINANCE

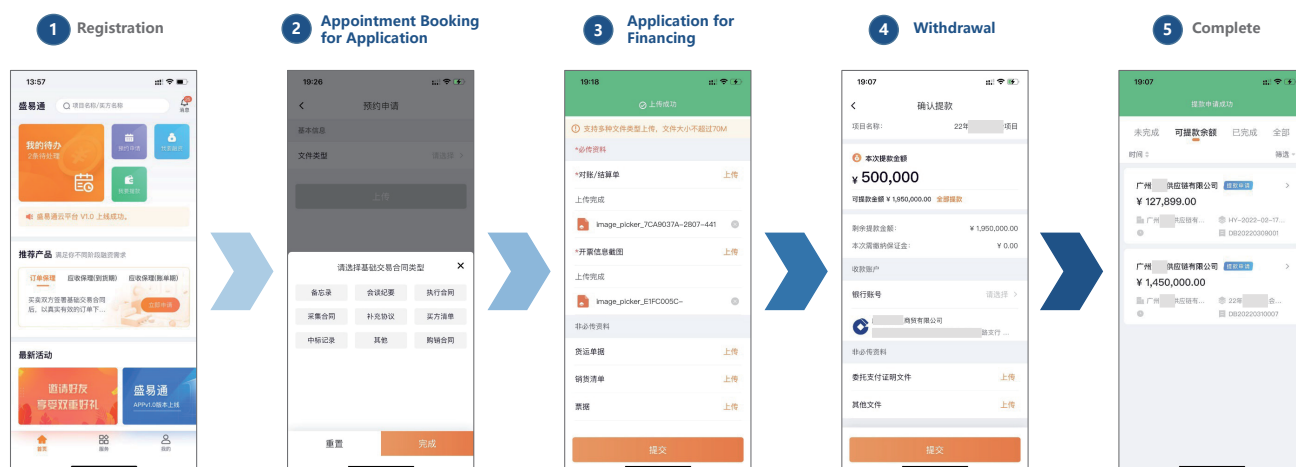
Practising low-carbon finance is one of the key initiatives taken by SY to fulfil its corporate social responsibility. The Group is committed to building a green supply chain financial ecosystem by actively responding to the dual carbon strategy and focusing on the low carbon transformation of the value chain. We prioritize access to low-carbon projects, streamlining processes, reducing energy consumption and carbon emissions in our business processes, while driving emission reduction in our value chain and providing quality services to our customers.

Value Chain Emission Reduction

SY is committed to providing flexible green supply chain financial services and prioritizing access to low-carbon projects to facilitate the transformation of the supply chain finance industry towards green and low-carbon development and help our SME customers achieve their sustainable development goals. In terms of project access, we require access to projects that have passed environmental assessments and other relevant environmental certifications based on the specific circumstances of the underlying trading commodities or projects, and we also give priority access to low-carbon projects such as new energy facilities, industrial internet and park greening. In terms of low-carbon transformation of industries, we provide supply chain technology services such as smart construction site, pharmaceutical SPD and SaaS informatization to help digitalize traditional infrastructure projects and pharmaceutical distribution for the whole process, reduce the carbon footprint of the entire industry chain, and promote the transformation of the supply chain financial industry towards green and low-carbon development.

Process Carbon Reduction

The self-developed “SY Cloud Platform” of SY combines face recognition verification, public opinion monitoring, invoice validation, China Financial Certification Authority (CFCA) electronic signature, link to the credit reference system of PBOC, intelligent registration, OCR recognition and NLP semantic analysis to enable business operations, risk control and asset management processes go online, which greatly reduces the time for financing and lending, saves labour costs for the parties concerned, and makes the service more flexible and convenient. At the same time, all processes on the platform can be done paperless, including electronic signature, online credit reference, remote audit, remote identity authentication and remote confirmation services, eliminating the need for offline staff and material delivery, reducing the carbon emissions generated by customers’ business travel and creating an environmentally friendly, low-carbon one-stop supply chain financial solution.



Major Service Flow of "SY Cloud Platform"

6.2 TACKLING CLIMATE CHANGE

SY is fully aware of the urgency of the impact of climate change and is paying close attention to the impact of climate change on the Company's operations and has started work on identifying and addressing climate risks. In the future, a comprehensive assessment of the risks and opportunities will be conducted and corresponding management measures will be developed to minimise their impact on the continuity of the Company's business.

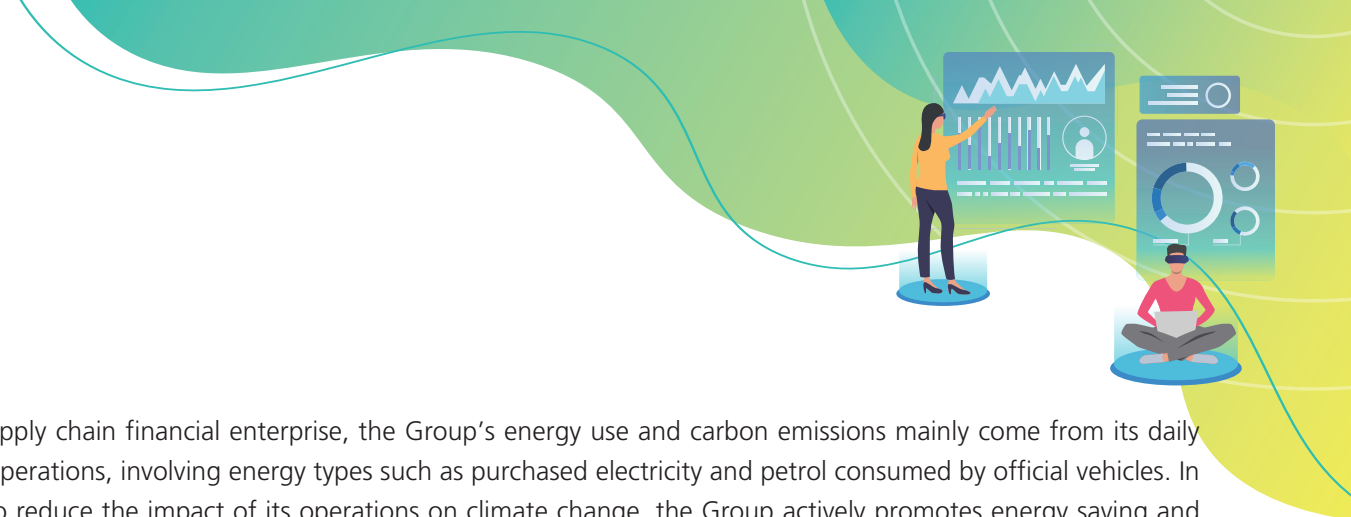


Preliminary Climate Risk Analysis

Type of risk		Description of major impacts
Transformation risks	Policy and legal risks	As a supply chain technology platform with a presence in the infrastructure and energy sectors, we actively monitor the latest developments in climate related policies and regulations, such as the increasing concern of various governments and regulatory authorities in recent years about the issue of climate change and the possible introduction of related measures. These measures may result in regulatory and supervisory changes, which may create risks and opportunities that affect our potential customers in the respective industries and our risk assessment of specific businesses and assets. From a listed company's perspective, we believe that the need and requirement for climate related disclosure is increasing. As a provider of supply chain finance and technology services, we have not identified any specific current regulatory requirements relating to carbon emissions that would pose a real or material risk to the Group's operations.
	Market risk	Investors and funding partners continue to show increased appetite and concern for sustainable projects/companies and if we are unable to provide assets that meet sustainability requirements, it may affect our ability to raise capital and our competitiveness in the market.
	Reputational risk	As a supply chain technology platform and Hong Kong-listed company that primarily serves SMEs in China and is committed to making finance more inclusive, failure to meet the requirements of supporting low carbon development will have a long-term negative impact on our business reputation under the dual carbon targets in China.



Type of risk		Description of major impacts
Physical risks	Acute physical risk	The majority of the Group's acute risk exposure relates to the potential impact of extreme events such as floods, storms and epidemics under climate change, as well as energy and water supplies affected by climate change. If these physical risks were to materialise, they could pose a risk to the Group's assets, affect our ability to operate, damage our reputation and directly result in a loss of business. Such events could also result in direct losses to our customers' assets or projects (such as infrastructure projects, deliveries of construction materials or pharmaceutical inventories), which could affect their ability to pay us.
	Chronic physical risk	Gradual changes in climate (such as changes in average temperature, water availability and sea level rise) may affect our properties and infrastructure, our ability to continue as a going concern, our people and our food systems. For example, an increase in average temperature or sea level rise would impose additional costs on the Company's office premises and data infrastructure, which would adversely affect the Group's service provision and could also have an adverse impact on our potential customers and business.



As a supply chain financial enterprise, the Group’s energy use and carbon emissions mainly come from its daily office operations, involving energy types such as purchased electricity and petrol consumed by official vehicles. In order to reduce the impact of its operations on climate change, the Group actively promotes energy saving and emission reduction, sets carbon emission targets, and tracks the progress of the targets and the implementation of measures in a timely manner, so as to reduce energy consumption and carbon emissions.

Management objectives		<ul style="list-style-type: none"> Greenhouse gas emissions per employee and per unit area in 2022 reduced by 5% as compared to 2021.
Management initiatives	Energy saving in building	<ul style="list-style-type: none"> Shenzhen Head Office, located in Kerry Plaza T2, has been awarded LEED-EBOM Platinum certification, the highest level of green building, which can significantly reduce energy consumption as compared to traditional office premises.
	Energy saving in electricity	<ul style="list-style-type: none"> Cultivate a good habit of turning off the lights and air-conditioning when leaving; Turn on the air-conditioner only during working hours and set the temperature reasonably; Turn off computers or set them to power-saving mode when leaving.
	Low-carbon travelling	<ul style="list-style-type: none"> Promote the use of public transportation and carpooling when travelling in groups.
	Advocacy and promotion	<ul style="list-style-type: none"> Issuance of “SY Holdings Group Limited’s Advocacy Letter on Corporate Energy Saving and Consumption Reduction Activities” and “SY Holdings Group Limited’s Advocacy Letter on Energy Saving in Daily Office Work”.

Carbon Emission Targets and Energy Saving Initiatives

Energy saving and consumption reduction competition of Shenzhen Office of SY

Shenzhen office has implemented a policy of energy saving and consumption reduction, and held competition for departments to save paper, electricity and water, and certain spiritual and material rewards are given to outstanding departments for energy saving and consumption reduction.



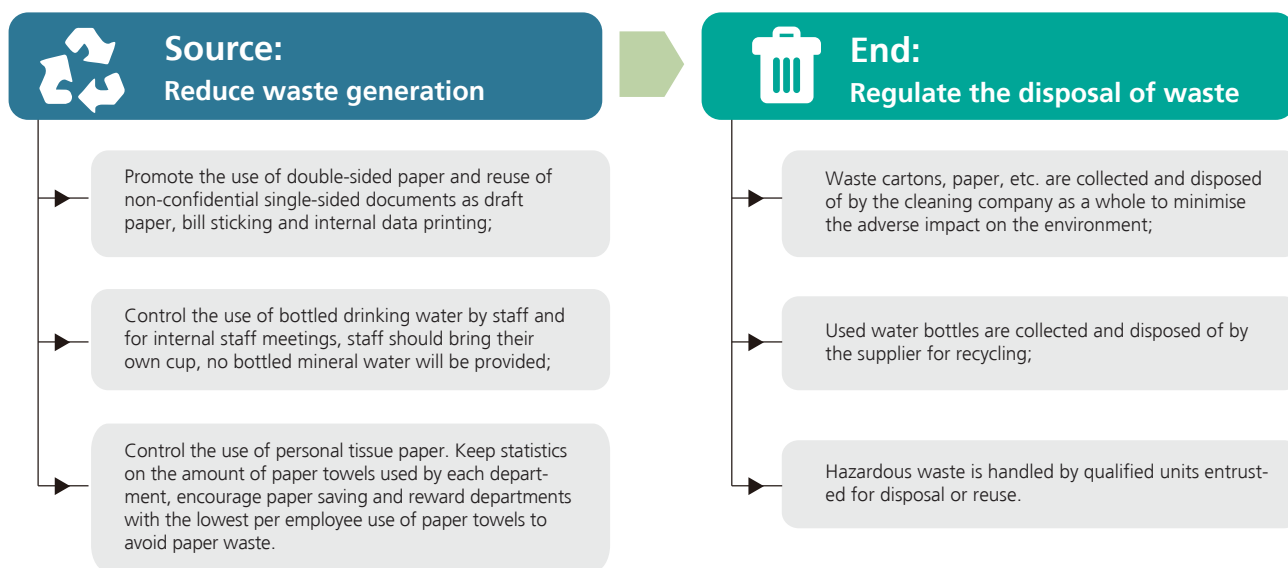
6.3 PROMOTING GREEN OPERATION

SY actively promotes the concept of green operation and strictly complies with the “Environmental Protection Law of the People’s Republic of China”, the “Energy Conservation Law of the People’s Republic of China” and other relevant laws and regulations, incorporating environmental protection, energy saving and consumption reduction into our daily work to minimise the impact of our operations on the environment. During the reporting period, we had no environmental litigation cases arising from environmental issues.

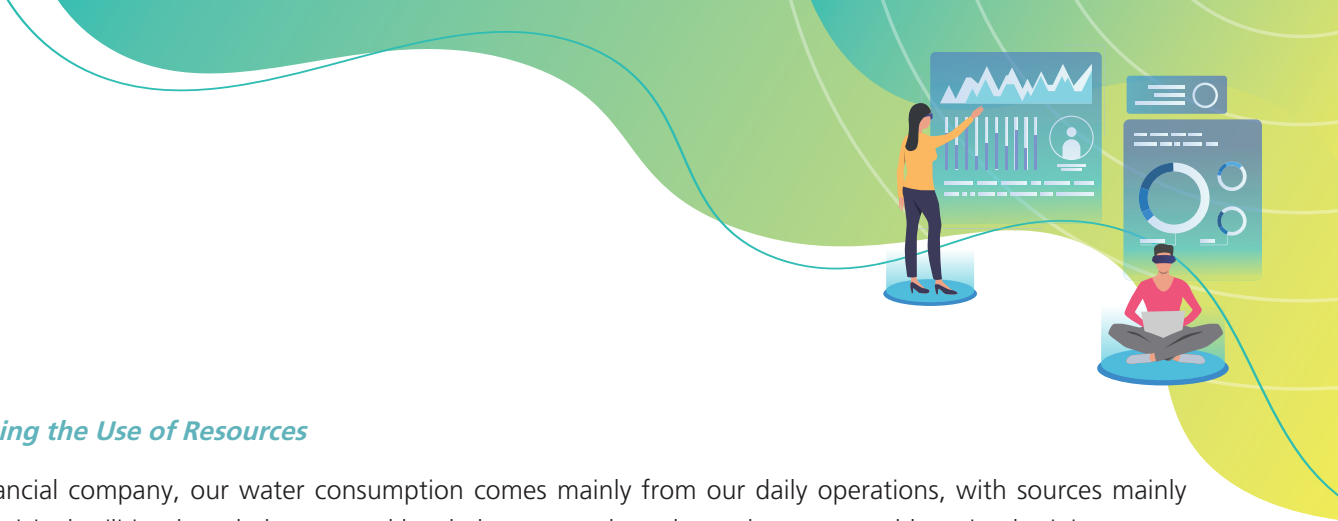
Regulating Waste Management

The waste generated by SY comes from our daily operations in office and mainly consists of hazardous waste such as toner cartridges and electronic waste, and non-hazardous waste such as paper, waste cartons and water bottles. We are actively fulfilling the requirements of the relevant policies, strictly separating office waste and taking a number of measures to reduce the generation of waste at source, regulating the treatment and disposal of waste after consumption and enhance the recycling of materials.

As at the end of the reporting period, the SY Cloud Platform has saved a total of approximately 21,630,000 pieces (equivalent to approximately 108 tonnes) of paper for all parties involved in the processing of supply chain assets.



Waste Management Initiatives



Optimizing the Use of Resources

As a financial company, our water consumption comes mainly from our daily operations, with sources mainly from municipal utilities, barreled water and bottled water, and we do not have any problems in obtaining water. At the same time, we have set water conservation targets and are actively taking steps to reduce water use in our operations.

Management objectives

- To reduce the use of bottled mineral water per employee, bottled water use per employee in 2022 saw a 10% reduction using 2021 as baseline.

Management initiatives

- Control the use of bottled mineral water and take away leftover mineral water from external receptions to avoid wastage;
- Staff are encouraged to bring their own cups for drinking when they are in office.

Water Saving Objectives and Management Initiatives



KPIs ¹	Unit	2021
Energy		
Total electricity consumption	MWh	280.12
Gasoline consumption	MWh	62.01
Total energy consumption ²	MWh	342.13
Energy consumption per employee	MWh per employee	0.99
Energy consumption per unit area	MWh per square meter	0.07
Greenhouse gas		
Scope 1: Greenhouse gas emissions from direct sources ³	tCO ₂ e	15.51
Scope 2: Greenhouse gas emissions from indirect sources ³	tCO ₂ e	148.77
Total greenhouse gas emissions	tCO ₂ e	164.29
Greenhouse gas emissions per employee	tCO ₂ e per employee	0.47
Greenhouse gas emissions per unit area	tCO ₂ e per square meter	0.03
Water resources		
Consumption of water supplied by municipal utilities ⁴	tonne	2,082
Drinking water consumption ⁵	tonne	81.87
Total water consumption	tonne	2,163.87
Water consumption per employee	tonne per employee	6.24
Air emissions		
Nitrogen oxides (NO _x) emission ⁶	kg	1.52
Sulfur dioxide (SO ₂) emission ⁶	kg	0.52
Particulate matter (PM) emissions ⁶	kg	0.16
Waste		
Total amount of non-hazardous waste generated	kg	6,580
Non-hazardous waste generated per employee	kg per employee	18.96
Amount of hazardous waste generated	kg	10
Amount of hazardous waste generated per employee	kg per employee	0.03
Paper recycled	kg	55.40
Plastic bottles recycled	kg	483.66
Total waste recycled	kg	539.06
Waste recycled per employee	kg per employee	1.55



- 1 Environmental data covers all of SY's workplaces in Mainland China and Hong Kong, China, except for total electricity consumption and gasoline consumption data which do not cover Wuxi and Hong Kong, China.
- 2 The total energy consumption is calculated based on relevant conversion coefficients provided in the "General Principles for Calculation of the Comprehensive Energy Consumption" (GB/T2589-2020), a national standard of the People's Republic of China.
- 3 Greenhouse gas emissions are calculated with reference to the "Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard" issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) and the "Sixth Assessment Report" issued by the Intergovernmental Panel on Climate Change (IPCC). The grid emission factors used for the calculation of Scope 2 emissions are based on the latest China Regional Grid Emission Factors (2019) published by the Department of Climate Change under the Ministry of Ecology and Environment of the PRC. The Group's "Scope 1: Greenhouse gas emissions from direct sources" are mainly derived from greenhouse gases generated by petrol consumption in the use of business vehicles.
- 4 The Company's office and operation premises are all part of the office areas in leased commercial buildings, and municipal water consumption is managed by the property management companies in a unified manner and is estimated at 0.5 tonne per employee per month.
- 5 Drinking water consumption figures include consumption of barreled water and bottled water.
- 6 Emissions of NO_x, SO₂ and particulate matter are generated from the use of the Group's business vehicles, and the emissions are calculated with reference to the "Technical Guide for Air Pollutant Emission Inventory for Road Vehicles" issued by the Ministry of Ecology and Environment.



7. DELIVERING SY VALUES WITH A CONCERTED VOICE

7.1 PROMOTING SUPPLY CHAIN DEVELOPMENT

Adhering to the principles of fairness, impartiality and transparency, SY has formulated and implemented the “Procurement Management Rules of SY Holdings Group Limited” to standardize the selection criteria and evaluation process of approved suppliers. The Company has also incorporated the ESG concept into the entire procurement process to promote social responsibility among suppliers, ensure legal compliance in the procurement process and improve delivery efficiency.

Evaluation of Approved Suppliers

SY will conduct procurement in accordance with the laws and regulations based on its business requirements, and clearly establish the principles of supplier management and the requirements of various aspects including approval, evaluation and withdrawal. In our official website, method of reporting malpractices is listed to encourage reporting if suppliers were found to have committed any fraud or unfair practices during our procurement process. Our procurement process is further regulated to ensure that purchasing is done fairly and with transparency. During the reporting period, the “Procurement Management Rules of SY Holdings Group Limited” was modified for optimizing the processes including the types of procurement, job duties breakdown, inspection and acceptance, warehousing, approval of suppliers, etc.

Supplier Whitelist



- A supplier whitelist is established to review various aspects of the suppliers, such as qualifications, business reputation, professional and technical capabilities, years of establishment, legal compliance, labor protection, energy conservation and emission reduction and ecological protection;
- Suppliers with purchases of more than a certain amount will be verified by the procurement review personnel before approval.

Supplier Evaluation



- The Administration Department initiates supplier evaluation for all departments of the Group every year, during which the procurement review personnel and the procurement assessment panel will perform a comprehensive assessment to re-evaluate the qualification of approved suppliers.
- For suppliers that do not meet our standards and requirements, or have a record of poor performance in the course of cooperation but continuous cooperation with such suppliers is still needed, the procurement implementation department should propose a corresponding rectification plan and improvement cycle for such suppliers and report to the relevant departments for approval.

Supplier Blacklist



- If the suppliers violate the regulations and breach the contract, fail to meet the Group’s procurement standards and requirements, or do not comply with the integrity regulations, they will be put in the supplier blacklist and disqualified.

Supply Chain Management



As at the end of the reporting period, SY had a total of 86 suppliers from Mainland China and Hong Kong, China.

Indicator	Unit	2021
Number of suppliers	Supplier	86
Mainland China	Supplier	78
Hong Kong, China	Supplier	8
Number of suppliers subject to evaluation	Supplier	25
Percentage of suppliers subject to annual evaluation	%	29.07

ESG Management of Supply Chain

SY not only cares about the quality of products and services provided by suppliers, but also takes into account the environmental and social aspects of ESG management of suppliers. As for the environmental aspect, we have set separate approval standards for product and service suppliers, who must meet national requirements in relation to labor protection, energy conservation, emission reduction and ecological protection. As for the social aspect, all approved suppliers are required to sign a “Letter of Undertaking of Integrity of SY Holdings Group Limited”, which clearly specifies that suppliers should comply with the requirements for integrity management, thereby ensuring that the procurement process complies with the regulations and laws.

7.2 COMMITMENT TO SOCIAL WELFARE

SY continues to fulfill its social responsibility by actively participating in a wide range of social welfare activities and focusing on areas such as poverty alleviation in poverty-stricken areas, epidemic prevention, caring for special social groups and supporting youth development. According to the “External Donation Management Rules of SY Holdings Group Limited” and other internal policies, we provide public welfare, relief and other forms of donations to make due contributions to society. We have launched the “Light of SY” public welfare programme, and encourage our staff to actively participate in the programme and live up to the spirit of “sharing and growth” of SY to grow together. Since 2014, the Group has been carrying out public welfare activities for eight consecutive years, and has made a total donation of approximately RMB10 million, with a cumulative impact of over 1,000 person-times.

Indicator	Unit	2021
Number of sessions of public welfare activities	Session	8
Number of participants in public welfare activities	Person-time	71
Duration of public welfare activities	Hour	932
Investment amount of public welfare activities	RMB’000	1,396.5



Establishment of SY Public Welfare Foundation by SY

In December 2021, Tianjin SY Public Welfare Foundation, a non-public foundation initiated by SY Factoring, obtained approval from the Home Affairs Bureau. The foundation will continue to carry out public welfare activities in three major areas: caring for children in need, supporting industry development and youth inspirational programmes, making contributions to the development of a harmonious society.



SY Public Welfare Foundation

Caring for children in need

Treatment for children with congenital heart disease	EGG Walkathon	Zhuguanlong School
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Supporting industry development

Infrastructural works		Medical and healthcare
Financial assistance to farmers' children for education purpose	Summer camps for farmers' children	Helping to create a green supply chain
		Health clinic offering free consultation

Youth inspirational programmes

Scholarship for factoring special courses of Shenzhen University	Internship base for university students	Exploration of more university and college partnerships
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Plan of SY Public Welfare Foundation



Poverty Alleviation in Poverty-Stricken Areas

The Group has actively participated in poverty alleviation in poverty-stricken areas by assisting in building infrastructure and providing consumer assistance to help relieve poverty. During the reporting period, we organized activities such as packing and sorting of used clothes for donations and donating money for charity.

SY supports the development of poverty-stricken areas in Qinghai with donations

As a positive response to the continuous support provided by Tianjin Eastern Border Management Committee to Jianzha County in Huangnan Tibetan Autonomous Prefecture, Qinghai Province, in July 2021, SY Factoring donated RMB80,000 to Tianjin Binhai New District Charity Association to help consolidate and expand the effective linkage of the achievements of poverty alleviation and rural revitalization.

Tianjin Eastern Border Management Committee, according to the deployment of poverty alleviation work of Tianjin Eastern Border Bonded Port District Party Committee and District Government, has launched counterpart support to Jianzha County in various aspects, including projects, capital, employment, investment and consumption. A number of enterprises, including SY, have actively responded and participated in investment or donation activities to Jianzha County.



SY makes donations to help Jianzha County, Qinghai Province



Caring for Preventing Epidemic and Fighting against Floods

Facing the COVID-19 epidemic and the sudden attack by natural disasters, SY has been proactive in providing support to the public in need. During the pandemic, the Group has moved all its operations online and provided medical supplies such as facial masks to customers, employees and family members. For the extraordinary disaster in Henan Province, the Group made a targeted donation to Zhengzhou Red Cross to help with the severe rainstorm.

Leveraging professional strengths to secure funding for anti-epidemic projects

SY provided specialized funding to support suppliers for the construction of the “A Northern Fangmantle Hospital” project, ensuring the completion of the anti-epidemic project within the scheduled period. In addition, in the face of poor returns from hospitals in many regions and increased pressure on stockpiling of epidemic prevention supplies, SY, by leveraging the SY Cloud Platform, released supply chain financing to pharmaceutical customers through complete online operation, securing the procurement and supply of epidemic prevention supplies.

Employees of SY actively participate in volunteer services to fight against the epidemic

In February 2022, in response to the sudden outbreak of the epidemic in Shenzhen, employees of SY actively responded to the call of the Shenzhen Municipal Committee and became part of a team of community epidemic prevention volunteers, who put on white protective clothing and assisted the medical staff at the nucleic acid specimen collection stations. They stood beside the residents in the queue to check whether the information registered was complete, disseminate information on epidemic prevention and maintain order on site. When they met elderly people, they also communicated with their families with due care and even filled in information for them. In this smokeless battle, they have stepped up to the plate and been committed to quietly serving on the front line of epidemic prevention in different ways.



Public welfare team of Light of SY participates in epidemic prevention work

Caring for Special Social Groups

SY paid closed attention to the development of children and people with special diseases. Since 2017, we have been organizing teams to participate in the “EGG Walkathon” charity walk every year to support the healthy development of children in need, with a total donation of approximately RMB200,000. Since 2014, we have been supporting the treatment for children with congenital heart disease, with a total donation of approximately RMB1,700,000, and over 50 children with congenital heart disease have been successfully treated.

SY Charity Walk in Ganzi for protecting the “Heartbeat of Angels”

During the reporting period, SY organized the “Team of Light of SY” to participate in the 2021 “Heartbeat of Angels” in Ganzi, Sichuan Province, a joint charity public welfare campaign held in Ganzi, Sichuan Province, to provide free medical and surgical treatment for the joint charity public welfare campaign across the county, with an aim to provide screening service, funding for surgery, post-operative care and donations of medication for patients with diseases such as congenital heart disease, cataracts, scoliosis and cleft lip and cleft palate.



The “Team of Light of SY” participates in the 2021 “Heartbeat of Angels” public welfare campaign in Ganzi, Sichuan Province



Support for Youth Development

In order to promote the development of education and help young people to develop professional skills and a sense of social responsibility, SY has successively organized various activities such as “Raleigh China” and Scholarship Programmes of Shenzhen University. Since 2014, the Company has joined hands with Raleigh China to organize young people to provide services in rural communities. During the reporting period, Youth Camp of Raleigh China was officially opened and has been actively involved in activities in relation to the restoration of the main camp, with a total donation of approximately RMB4,000,000 since cooperation.

SY holds the 3rd “SY • Factoring Excellence” Scholarship Award Ceremony

During the reporting period, SY joined hands with the special programme “Supply Chain Finance – Commercial Factoring” of the School of Economics of Shenzhen University to organize the “SY • Factoring Excellence” Scholarship award ceremony for the 2020-2021 academic year. This scholarship award ceremony has been held for the third consecutive year to provide continuous scholarship to the special programme “Supply Chain Finance – Commercial Factoring” of the School of Economics of Shenzhen University, and provide more internship positions in the field of supply chain finance, which can fully stimulate the enthusiasm and creativity of students. As at the end of the reporting period, a total donation of approximately RMB100,000 was made. The scholarship programme has further deepened the collaboration between enterprises and universities on industry and academic research, and provided new momentum and cutting-edge technology for the development of the industry on an ongoing basis, facilitating the promotion of high quality development of the real economy.



Scholarship Award Ceremony

ESG INDICATOR INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Chapter Index	Page Index
A.	Environment		
Aspect A1	Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	6.3 Promoting Green Operation	55, 60
A1.1	The types of emissions and respective emissions data.	6.3 Promoting Green Operation	62-63
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6.3 Promoting Green Operation	62-63
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6.3 Promoting Green Operation	62-63
A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	6.3 Promoting Green Operation	62-63
A1.5	Description of emissions target(s) set and steps taken to achieve them.	6.2 Tackling Climate Change	59
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	6.3 Promoting Green Operation	60



Subject Areas, Aspects, General Disclosures and KPIs		Chapter Index	Page Index
Aspect A2	Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6.3 Promoting Green Operation	60-61
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	6.3 Promoting Green Operation	62-63
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	6.3 Promoting Green Operation	62-63
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	6.2 Tackling Climate Change	59
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	6.3 Promoting Green Operation	61
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable	
Aspect A3	Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	6.3 Promoting Green Operation	60
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6.3 Promoting Green Operation	60-63
Aspect A4	Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	6.2 Tackling Climate Change	56
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	6.2 Tackling Climate Change	56-59



Subject Areas, Aspects, General Disclosures and KPIs		Chapter Index	Page Index
B.Social			
Aspect B1	Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1 Creating a Harmonious Workplace	45-46
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	5.1 Creating a Harmonious Workplace	46-47
B1.2	Employee turnover rate by gender, age group and geographical region.	5.1 Creating a Harmonious Workplace	47
Aspect B2			
Aspect B2	Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.3 Uniting Employees with Care and Love	52-54
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	5.3 Uniting Employees with Care and Love	52
B2.2	Lost days due to work injury.	5.3 Uniting Employees with Care and Love	52
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.3 Uniting Employees with Care and Love	52-54



Subject Areas, Aspects, General Disclosures and KPIs		Chapter Index	Page Index
Aspect B3	Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.2 Stimulating the Potential of Talents	49
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	5.2 Stimulating the Potential of Talents	50
B3.2	The average training hours completed per employee by gender and employee category.	5.2 Stimulating the Potential of Talents	50
Aspect B4	Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	5.1 Creating a Harmonious Workplace	45
B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1 Creating a Harmonious Workplace	45
B4.2	Description of steps taken to eliminate such practices when discovered.	Not occurred during the reporting period	



Subject Areas, Aspects, General Disclosures and KPIs		Chapter Index	Page Index
Aspect B5	Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	7.1 Promoting Supply Chain Development	64-65
B5.1	Number of suppliers by geographical region.	7.1 Promoting Supply Chain Development	65
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	7.1 Promoting Supply Chain Development	64-65
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	7.1 Promoting Supply Chain Development	64-65
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	7.1 Promoting Supply Chain Development	64-65
Aspect B6	Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.2 Optimizing Customer Service	41-44
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable	
B6.2	Number of products and service related complaints received and how they are dealt with.	4.2 Optimizing Customer Service	44
B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.1 Financial Inclusion with Innovative Fintech	29-30
B6.4	Description of quality assurance process and recall procedures.	Not applicable	
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	4.1 Building a Strong Security Barrier	38-40



Subject Areas, Aspects, General Disclosures and KPIs		Chapter Index	Page Index
Aspect B7	Anti-corruption		
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B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.2 Corporate Governance	12
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	1.2 Corporate Governance	12-17
B7.3	Description of anti-corruption training provided to directors and staff.	1.2 Corporate Governance	16
Aspect B8	Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7.2 Commitment to Social Welfare	65
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7.2 Commitment to Social Welfare	65-70
B8.2	Resources contributed (e.g. money or time) to the focus area.	7.2 Commitment to Social Welfare	65-70

