



新疆天業節水灌溉股份有限公司
Xinjiang Tianye Water Saving Irrigation
System Company Limited*

Stock Code: 840

2023

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

* for identification purposes only

Environmental, Social and Governance Report

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About the Report

Xinjiang Tianye Water Saving Irrigation System Company Limited (the “Company”) and its subsidiaries (the “Group” or “we”) are pleased to present the Group’s Environmental, Social and Governance Report (the “ESG Report”). This report enables the stakeholders to understand our policies, practices and performance as to environmental, social and governance (“ESG”) issues, while demonstrating our long-term commitments to sustainability development for the stakeholders. For additional information about the Group’s corporate governance and financial results, please refer to our annual report for the year ended 31st December, 2023.

Preparation Basis and Scope

This report has been prepared in accordance with the requirements set out in the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This ESG Report covers the “Reporting Period” from 1st January, 2023 to 31st December. The Group, as a provider pioneering one-stop solutions for water saving irrigation system in the People’s Republic of China (“PRC”), is principally engaged in the design, manufacturing and sales of drip tapes, PVC/PE pipelines and drip assemblies used in water saving irrigation system, and is also engaged in the provision of installation services of water saving irrigation systems for its customers.

The Group, being one of the market leaders in China’s water-saving agricultural irrigation industry, carries out its operations under the brand of “Tianye”. The Group has established quality, environmental and occupational health and safety management systems according to the GB/T 19001–2008/ISO 9001:2008 standard, GB/T 24001–2004/ISO 14001:2004 standard and GB/T 28001–2011/OHSAS 18001:2007 standard and obtained the certification of quality management system, certification of environmental management system and certification of occupational health and safety management system approved and issued by China Classification Society Quality Assurance Ltd. Quality, environmental and occupational health and safety management systems set up by the Group cover various aspects, including but not limited to workplace practice, environmental protection and business operations. Systems that are crucial and closely related to our business are set out below:

Reporting Principles

The Group considers and determines the reporting scope based on the materiality of its principal activities and discloses those issues that have a significant impact in this report. We also carry out materiality assessment processes by engaging with the stakeholders, which include identifying ESG-related issues, collecting and reviewing opinions by the management and stakeholders, assessing the relevance and materiality of issues, and compiling and verifying reported information. The ESG Report comprehensively covers material issues of concern to various stakeholders.

The Group discloses environmental and social key performance indicators (“KPIs”) in quantitative terms, where practicable and applicable. To facilitate the comparison of the ESG performance over the years, the Group has adopted a consistent calculation methodology as far as reasonably practicable. The Group will in detail present and explain changes to the methodology, if any, in the corresponding sections.

ESG Governance Structure

A team of management and employees of various functions at the Group has been appointed to take responsibility for the ESG-related information of the Group and to participate in the preparation of this report. Besides reporting to the board of directors (the “Board”) from time to time, the team is also in charge of assisting in reviewing the Group’s ESG-related operations, identifying ESG-related issues and assessing their materiality to the Group’s business and various stakeholders, as well as reviewing and assessing our ESG performance in various aspects, such as environment, health and safety, labour standards, and product and service responsibility. In addition to setting the broad direction of our ESG strategy, the Board is responsible for assessing and determining the relevant ESG risks, incorporating ESG issues in the Group’s risk management and internal control system, and ensuring the effectiveness of ESG risk control and internal control mechanisms.

Stakeholder Engagement

The Group recognizes the importance of its stakeholders and their feedback on the Group’s business and ESG issues. To understand and respond to their needs and expectations of the Group, the Group maintains ongoing communications with the stakeholders. In formulating our operational strategies and ESG initiatives, the Group will take into account the expectations of its stakeholders. By collaborating with them, the Group will continue to improve its performance and create greater value for the community.

Stakeholder	Communication channel
Employees	<ul style="list-style-type: none"> • Daily internal meetings • Employee training, seminars and briefings • Annual employee performance appraisal and performance evaluation meetings • Employee care activities • Festivals and welfare activities • Regular feedback and consultation
Customers	<ul style="list-style-type: none"> • Business meetings with customers • Visits to and interviews with customers • Posts released on WeChat Official Account • Responses to customers' product inquiries • Regular customer visits
Suppliers and other business partners	<ul style="list-style-type: none"> • Business meetings and communications with suppliers on demand • Regular supplier assessments • Scheduled site visits • Cooperation opportunities through communications • Real-time messaging software

Stakeholder	Communication channel
Shareholders and investors	<ul style="list-style-type: none"> • Group’s website • Group’s financial reports and circulars • Group’s announcements • Annual or extraordinary general meetings
Government and regulatory bodies	<ul style="list-style-type: none"> • Compliance report as appropriate • Meetings and negotiations with government departments on relevant projects • Party building activities

Report Availability

Besides being included in the Group’s annual report, an electronic version of this report is also available at <http://www.tianyejieshui.com.cn>.

Contact Information

The Group welcomes comments from the stakeholders on our environmental, social and governance approach and performance. You are invited to make suggestions or share your views with us by emailing tianyejieshuizhl@qq.com.

A Environment

A1 Emissions

In compliance with the requirements under such laws and regulations as the “Environmental Protection Law of the People’s Republic of China”, “Law of the People’s Republic of China on Prevention and Control of Water Pollution”, “Law of the People’s Republic of China on Prevention and Control of Environmental Pollution by Solid Waste”, and “Law of the People’s Republic of China on Promoting Clean Production”, the Group has established the “Management System for Standard Emissions of Greenhouse Gas and Hazardous and Non-Hazardous Waste” and “System for Identification, Assessment, Control and Management of Environmental Factors”, under which, the Group has a specific department to engage in full monitoring over standard emissions of greenhouse gas and hazardous and non-hazardous waste, and is subject to regular inspection by the relevant environmental supervision authorities. To reduce waste and improve resource efficiency, the Group continues to optimize design, processes and material management. It strictly adheres to the relevant regulations of the operating location when handling hazardous and non-hazardous wastes generated during manufacturing and production processes, as well as office operations. The Group’s emissions of waste are mainly sorted into three types, namely, solid waste (including packaging waste, office waste, and municipal solid waste), liquid waste (including water for production and domestic sewage), and waste gas (including dust and smoke), the disposal methods and countermeasures of which are set forth as below:

Solid waste (including packaging waste, office waste, and municipal solid waste) will be sorted, collected and stored in a specified area before being transported by the environmental protection department to the recycle station for disposal.

Water for production, as part of the liquid waste, mainly serves as cooling water for equipment, which travels through the cooling tower for lowering temperature before entering the recycling water tank. Following tertiary sedimentation, it will be recycled to the tank for future internal use. Domestic sewage will flow into the municipal sewage pipeline after secondary sedimentation.

Waste gas (including dust and smoke) is mainly derived from plastic granulation and heating. The dust collecting device and gas filtering device, which collect the dust and smoke, have been installed to individual equipment, and the recycled plastic dust will be further processed as raw materials before being purified to meet the gas emission standard.

The Group's Achievement in Reducing Emission in 2023

In terms of solid waste, domestic sewage and waster for production under liquid waste, and waste gas, the Group recorded a disposition rate of 100%, an emission standard rate of 100% and a recycling rate of 100%, and an emission standard rate of 100%, respectively.

During 2023, no environmental or contamination accident was reported by the Group.

A2 Use of Resources

In compliance with the requirements under the “Energy Conservation Law of the People’s Republic of China”, the Group has established the “Energy Conservation and Consumption Reduction Procedures”, to exercise control over the use of energy and resources during its production, operations, and management. Based on its energy consumption in 2022, the Group formulated the implementation plan for energy conservation and consumption reduction for 2023. By adopting several measures, including upgrades and transformation of the recycling system for water for production and production equipment automation, as compared to 2022, the Group’s electricity consumption increased by 2,447,900 kWh and water consumption increased by 5,696 m³ in 2023. In accordance with the calculating standards for various types of energy as set out in the “National Standardized General Principles for Calculation of Comprehensive Energy Consumption: GB2589–2022” (《綜合能耗計算通則GB2589–2020》) of the People’s Republic of China, in 2023, the Group’s emissions of CO₂ increased by 2,417.02 tons to 8,565.02 tons, as compared to 6,148 tons in 2022. The Group’s emission of CO₂ from every 10,000 tons of products in 2023 decreased by 30.86% to 1,714 tons, as compared to 2,479 tons in 2022. The standard consumption per ton for the year 2023 was 1.04 tons.

Usage and emission of water

In compliance with the requirements under the “Water Law of the People’s Republic of China”, as well as subject to the principles of reasonable utilization, conservation, and protection to realize sustainable utilization of water resources, the Group utilizes water resources through the water pipeline of the local municipal administration authorities. By adopting water conservation and consumption reduction, energy conservation and emission reduction, and other measures with respect to water utilization, the Group reported water consumption of 49,109 m³ for 2023, representing an increase of 13.12% as compared to water consumption of 43,413 m³ in 2022. In 2023, the Group’s water consumption per ton was 0.98 t/m³, representing a decrease of 44.00% compared to 1.75 t/m³ in 2022, due to the increase in product output of the Group and the strengthened efforts in waste water recycling by the Group in 2023.

To enhance water resource efficiency, the Group collects rainwater for use during its operation. The Group installs sedimentation tanks and wastewater treatment facilities at construction sites to maximize wastewater recycling. All wastewater generated by the Group is treated and discharged in accordance with local laws and regulations, and appropriate wastewater treatment equipment has been installed in projects.

A3 Environment and Natural Resources

In compliance with the requirements under the “Environmental Protection Law of the People’s Republic of China”, the Group has established the “System for Identification, Assessment, Control and Management of Environmental Factors” to carry out a comprehensive identification and assessment of the Group’s productions and services, for the purpose of controlling environmental factors that affect the environment and our investments in the environment. With the active and effective prevention and control measures adopted, the Group constantly improves our production environment, paving the way for conservation of natural resources. In 2023, no material impacts on the environment and natural resources were reported due to the Group’s productions and services.

The Group actively promotes green design and aims to incorporate environmental protection concepts into project design to reduce the overall carbon emissions of water-saving equipment.

The Group meticulously designs its projects regarding water saving materials and water usage to achieve water conservation with materials as well as energy conservation and emission reduction for manufacturing, thereby minimizing its environmental impact. The Group implements a construction planning and review system under which review meetings are held prior to construction for ensuring the inclusion of appropriate and effective environmental protection measures in its construction plans.

The Group recognizes that all environmental initiatives require the collective efforts of employees, business partners, and customers. To enhance employees’ environmental awareness and management capabilities, the Group regularly arranges and organizes various environment-related training programs. These programs cover topics such as green environmental materials and pollution discharge permit applications. By providing employees with knowledge about environmental laws, regulations, technologies, and products, the Group aims to consolidate their awareness of environmental protection.

A4 Climate Change

During the year, the Company conducted sustainable development and climate risk identification, and continued to review and improve the effectiveness of related management procedures according to the review results. The Company also collected opinions from internal stakeholders on the risks posed by climate change to the Company through historical weather data and interviews during the year.

Key Performance

Risk: extreme weather conditions, such as sandstorms, high temperature, cloudburst, and blizzards, may pose potential threats to the safety and stability of the Company's various businesses (such as facility damage and the inability to carry out construction projects).

Response measures: the Group actively identifies extreme and chronic physical risks, and assesses the impact of these risks on assets and business operations in detail, in order to increase resilience to climate change.

B Society

B1 Employment

The Group strictly observes national and local labour laws and regulations. To establish incentive and restraint mechanisms that link employee income and position with performance, the Group has formulated a series of remuneration management, performance assessment, and reward and punishment management systems applicable to the headquarters and companies under it, respectively, which would, at the same time of complying with national and local policies, ensure the remuneration stays at a reasonable level of competitiveness in the market. Besides, the Group has set up a "Best Employee Reward" scheme to give special rewards to individuals or teams with outstanding contributions to the Group's benefits, so as to boost employees' passion for innovation. The remuneration for employees in different regions takes into account the local living standard and operational condition, so the remuneration for the same position grade in different regions might vary to some extent. The Group is committed to providing equal opportunities. We respect gender equality by adopting the same remuneration level and structure for male and female employees, and taking the same way to determine the remuneration.

B2 Health and Safety

Health and safety are crucial issues in the construction industry, and the Group is committed to obtaining the support of employees and partners and earning the trust of customers and the public through effective health and safety management. The Group implements various measures and utilizes advanced technologies to minimize safety hazards and protect the safety and health of employees, business partners, customers, and the public.

The Group has adhered to the principle of “regulations compliance, cleanliness and civilization, harmony and safety, continuous improvement” and established a department specifically responsible for employees’ health and safety in the Group. The Group has formulated and implemented “Procedures for Hazard Identification, Risk Assessment and Control” and “Procedures for Identification, Assessment and Control of Environmental Factors” to identify and assess the environment and hazards during the Group’s production process as well as to determine and update environmental factors and impermissible risks. This allows the Group to effectively control the risk factors in relation to occupational health and safety that have or may have significant impacts on the environment in the course of management and production.

During the year, to ensure the highest level of safety in production, the Group organized multiple meetings to deploy safety hazard inspections. Important instructions and work arrangements from leaders at all levels were conveyed to better safeguard the safety of employees and the Company’s assets. The Group also implemented targeted supervision and special inspections for key areas, key projects, and critical periods. Specific measures were taken to address fire prevention, infrastructure, tower crane, and high formwork safety hazards. These actions were aimed at ensuring comprehensive safety hazard inspections.

Number of accidents at factory

Work-related injuries

The rate of work-related injuries is an industry benchmark for safety performance. For the purpose of this report, the number of work-related injuries for every 1 million working hours was used.

In 2023, the Group reported zero cases of work-related injuries, and did not report any case of occupational diseases or work-related injuries or fatality.

Employee structure

As at 31st December, 2023, the Group had a total of 407 employees, who mainly aged from 35 to 50. Female employees accounted for 24% of the total number of employees. As highly automated production equipment for water-saving equipment requires less labour intensity, the majority of the operators are women. Talents are recruited according to the operational strategies of the Group and in compliance with the government's labour laws and regulations, irrespective of ethnic origin, gender, age, religion, region, and nationality. Any pregnant employee of the Group is entitled to benefits during her conception and labour period, such as leave for maternity check-up, leave during pregnancy, and return to her pre-leave position with the same department after the period of maternity leave as an incentive to return to the workplace. In 2023, the Company's return rate of employees who took maternity leave during pregnancy was 100%.

B3 Development and Training

The Group cherishes every employee and believes they will keep growing up along with the Group's business expansion, provides targeted, systematic and forward-looking training for employees, and explores their potential to support the Group's sustainable development. In 2023, we provided our senior management, mid-level management, specialty technicians, and operators with various forms of in-house and external training programs. These programs mainly included: corporate strategy and corporate culture training, basic work skills training, business knowledge training, management skills & leadership training, new employee training, re-designation training, and other various special training sessions, which lasted more than 40 hours. As the Group develops, to ensure the constant improvement of team quality, the Group will increase training opportunities for employees and keep checking and improving training courses, with a view to satisfying the requirements for production, operations, and business expansion of the Group.

B4 Labour Standards

The Group strictly abides by the relevant national laws and regulations and prohibits the employment of children under 16. An 8-hour work schedule is established. Overtime is on a voluntary basis and employees will receive overtime pay at the rate of 2 to 3 times their normal wage. Employee's overtime work shall be no more than four hours per day, and free meals and appropriate break time are provided. In order to ensure the health and safety of employees, the Group prohibits forced labour and untrained employees from performing dangerous work. In 2023, the Group did not receive any reported cases.

Employee benefits

Comprehensive insurance coverage

In compliance with the relevant policies and regulations of the local governments, the Group makes requisite contributions for the employees on a monthly basis to fund their basic pension insurance, medical insurance, unemployment insurance, maternity insurance, and industrial injury insurance. Housing fund allowance is also offered to employees according to regulations.

Skill improvement

Subject to employment, professional allowance packages will be given by the Group to employees who hold professional qualifications of junior, middle, and senior levels and possess technical skills required by the Group, so as to encourage skill development by self-learning or other means of learning.

B5 Supply Chain Management

Pursuant to the “Procurement Control Procedures” formulated by the Group, the procurement department of the Group shall deliver our policies, our requirements on environmental and occupational health and safety, and our procurement control procedures to suppliers to ensure their timely understanding of the Group’s requirements on environmental and occupational health and safety, and their provision of services according to our procurement control procedures.

In order to strengthen the concept of a sustainable supply chain, the Group conducts regular review on the environmental, social, and governance performance of its supply chain and procurement processes, thereby ensuring compliance and continuous improvement. To implement sustainable supply chain risk management, the Group encourages suppliers and subcontractors to collaborate in developing relevant risk management plans and objectives. Besides, to enhance employees’ understanding of a sustainable supply chain, the Group provides training and guidance on sustainable supply chain practices to employees, suppliers, and subcontractors, enabling them to acquire the necessary knowledge and skills for sustainable development and environmentally friendly procurement.

B6 Product Responsibility

In compliance with the “Product Quality Law of the People’s Republic of China”, the Group has established its internal quality control system (i.e. GB/T 19001–2008/ISO 9001:2008 Standards), under which, the Group has always conducted stringent production monitoring, quality assurance inspection and strict testing on its products. The Group’s major products, such as drip tapes, PVC/PE pipelines, filters and pipe fittings, have received quality assurances from Beijing Zhongshui Runke Certification Co., Ltd and obtained certified confirmation certifications for relevant products.

In 2023, to further expand the market for distributing our products, the Group increased advertisement spending for our products, and organized product presentations, product release conferences, training sessions on promotion and application of water-saving equipment, etc.

In strict compliance with the “Service Control Procedures”, the Group’s sales department will timely communicate with the customers over product quality issues arising from the delivery and use of our products, as part of our presales, sales, and aftersales services provided to our customers. For products with quality issues, responsive recalls will be made in accordance with the “Service Control Procedures”, and remedial actions will be taken to minimize the loss of our customers.

To ensure the health, safety and construction quality management of public engineering projects, regular internal audits are conducted to monitor quality performance and continuously improve the quality management process, such that the management approach of “doing it right the first time and every time” is implemented. Besides, the personnel department organizes engineering project quality management training for new employees to familiarize them with the Group’s quality management system and related workflows. The Group strictly complies with relevant construction laws and regulations, such as the “Construction Law of the People’s Republic of China” and the “Regulations on Quality Management of Construction Projects”. It is committed to carrying out work in accordance with the relevant regulations and incorporates them into its quality control procedures to ensure that the safety and health requirements of customers and users of construction projects are included in the relevant legal and contractual terms. The Group closely collaborates with customers and collects their feedback to manage construction quality. To ensure safety and compliance, customers conduct acceptance inspections of construction projects according to their standards and procedures. Furthermore, the Group generally provides a maintenance period for its construction projects and offers follow-up services after project handover to further enhance public health, safety and construction quality management.

B7 Anti-corruption

The Group upholds the principles of integrity and anti-corruption, and is committed to maintaining the highest standards of governance and ethics. It opposes all forms of corruption, including but not limited to bribery, extortion, fraud, and money laundering.

The Group formulated the “Corruption and Malpractice Reporting System” to clarify anti-corruption responsibilities of the management, intensified supervision on the management team, and advocated the anti-corruption regulations and policies, and created an honest working atmosphere within the Group. With regard to financial management, the Group required its companies to follow “Accounting Standards for Business Enterprises” to strengthen spot check and audit on key aspects and weak aspects in business operations, improve asset quality and prevent financial risks.

Employees are required to report any potential conflicts of interest to their department or site leaders and the personnel department. Employees are strictly prohibited from entering into private business contracts, providing benefits to family or friends, or seeking personal gains through their positions or duties. These measures aim to prevent corruption, malpractice, fraud, or other behaviors resulting from conflicts of interest. Employees who violate these codes of conduct will face disciplinary actions or termination of employment, and those who violate laws and regulations shall be referred to judicial authorities. In 2023, the Group did not experience any cases of corruption. As the business continues to grow, the Group will further enhance its anti-corruption system, strengthen supervision, and provide robust safeguards for its sustainable development.

B8 Community Investment

The Group is committed to corporate responsibilities by proactively participating in community and charity works. The philosophy of giving back to the society is realized through, among other ways, free water-saving products and technical support to local water-stressed areas in Xinjiang, charity donations to underprivileged families, long-term engagement in common development activities with local elementary schools under the Hope Project, and continuous supports to national education with subsidies.

Appendix I: Content Indexes to the Environmental, Social and Governance Reporting Guide

ESG Indicator	Description	Section	Page
Environmental			
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.	Environment	6
A2 Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment	7
A3 Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment	8
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.	Environment	9

ESG Indicator	Description	Section	Page
Social			
B1 Employment			
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	Society	9
B2 Health and Safety			
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	Society	10
B3 Development and Training			
General Disclosure	<p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p>	Society	11

ESG Indicator	Description	Section	Page
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.	Society	11
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain. The Group has formulated “Suppliers/ Distributors Social Responsibilities Control Procedure” to monitor a wide range of aspects of the suppliers, from product and service quality to business ethical standards.	Society	12
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.	Society	13

ESG Indicator	Description	Section	Page
B7 Anti-corruption			
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p>	Society	14
B8 Community Investment			
General Disclosure	<p>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.</p>	Society	14