



TEN PAO GROUP HOLDINGS LIMITED

天寶集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1979

2020



**ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING PERIOD AND SCOPE

This Environmental, Social and Governance (ESG) Report of the Ten Pao Group (“Ten Pao” or the “Company”, together with its subsidiaries, the “Group”) covers the reporting period from 1 January 2020 to 31 December 2020 (the “reporting period”). Unless otherwise stated, this report covers the Group’s production factory in Huizhou City, Guangdong Province, PRC. With reference to the previous report, because the Group’s other business units exert immaterial environmental and social impacts, they are not included in this report.

REPORTING STANDARD

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

REPORTING PRINCIPLES

This report is prepared by applying four major reporting principles, namely, materiality, quantitative assessments, consistency and balance.

REPORTING THEME AND PURPOSE

Established in the power supply for decades, the Group has been striving for excellence through quality assurance and control as well as dedicated to serving the environment and society. Reflecting this commitment, the theme of this year’s report is “enhancing development with strong groundwork and conquering challenges amid hardship”. For this report, the Group conducted timely materiality assessments, supplemented by ongoing engagement with a wide swathe of stakeholders, in order to give a vivid demonstration of the direction, strategy and performance of our business when designing the framework of this report. The report framework constitutes four major directions, namely, product quality, talent development, environmental protection and social welfare, with the goal of providing a more comprehensive overview of the direction, strategy and performance of the sustainable development of our business.

Consolidating Groundwork, Seizing Opportunities

It is of paramount importance to the Group that its self-developed electronic products are produced with care. For this reason, stringent testing procedures and control are implemented during the production processes to ensure that the quality of the products not only meets the international standards but also continues to prove the reliable services the Group renders to its existing and potential clients whilst minimizing the environmental impacts.

Passing the Torch, Attracting Talents

To achieve the regional business growth target and enhance the Group’s competitiveness in the labour market, the Group provides its employees with training programmes and professional development opportunities so as to enable them to perform their duties efficiently as well as to attract and retain talents. Upholding the principles of fairness and impartiality, the Group recruits the right talent for the right job through standardized employment practices, with a goal of preparing the Group for challenges and opportunities ahead as well as enhancing its competitiveness.

Reducing Emission, Building the Future Together

Through rectification of its operation and production models, the Group strives to realise green development and adheres to the national environmental protection laws and policies. Moreover, the Group endeavours to achieve energy conservation and water savings in a pragmatic manner.

Caring for the Community, Helping the Elderly and the Young

As an integral part of the society, giving back to the society and caring for the elderly and the young have always been the fundamental principles of the Group, which is devoted to community activities and encourages its employees to follow suit.

STEADY DEVELOPMENT, HIGH DEGREE OF INTEGRITY

As a developer and manufacturer of power supply products, the Group embraces the value of excellence and strives to expand through the promotion of quality and efficiency while valuing the performance of suppliers. Over the past decades, the Group has evolved with the understanding that anti-corruption and integrity are not only the cornerstones of long-term sustainable development but that these tenets also facilitate the establishment of trustworthy partnerships mutually.

Optimizing Supply Chain Management, Selecting Quality Materials

The Group implements stringent management measures in the supplier selection processes to ensure the quality of its products. In the course of this undertaking, the Group establishes a supply chain management programme in terms of supplier selection, capability assessment and evaluation as well as regular site visits. When selecting new suppliers, their malfunction records are inspected and recommendation letter for integrity is required. Moreover, detailed and comprehensive regulations on supplier management and regular assessments are formulated.

For product development, the material-approval procedures are strictly executed and governed by a number of departments, including the Group's Research & Development (R&D) headquarters and various R&D departments, as well as the standardization centre, strategic procurement centre and quality management centre to ensure that the quality of materials is consistent and meets the relevant standards. Quality and safety of products must satisfy the stringent specification requirements and must be certified by a third party accredited certification issuing bodies. During the inspection processes, any quality issue found must be thoroughly reviewed, followed by improvement proposals and further tests. All procedures must be properly handled in accordance with the relevant regulations and well documented.

The Group has set up a supply chain management system which requires the strategic procurement personnel to conduct detailed evaluation and assessments when selecting suppliers so as to establish an impartial, effective and fair supplier mechanism. The Group selects and procures materials from suitable suppliers through the procurement processes. By working with the internal quality management centre, the internal staff evaluates and ensures that the materials provided by the suppliers are of high quality.

In the management processes, risk management on the Group's suppliers is critical. According to the Group's "Supplier Quality Risk Assessment Standards", the supplier quality risk level is classified into four levels from low to high, and corresponding preventive measures shall be taken to affirm the quality and stability of the products. In order to enhance monitoring of the environmental and social risks caused by the supply chain, the Group requires its suppliers to sign the "Supplier's Corporate Social Responsibility Management Agreement" so that the suppliers should manufacture goods or provide services in compliance with the Group's corporate social responsibility standards. Such standards cover various areas, such as child labour, forced labour and environmental protection. Furthermore, the Group organizes supplier annual meeting for its key suppliers to understand the Group's development strategy.

Stringent Quality Control, Technological Research and Advances in Innovation

The Group regards the environmental impacts and quality of each product as vital considerations. The Group has launched its own management system and has attained ISO 9001:2015 certification to ensure that the safety and environmental requirements are met. During the product development and production processes, the Group has successfully obtained a number of domestic and international certifications, including CCC of China, UL and FCC of the United States, GS of Germany, CE (EMC/LVD) of the European Union, PSE of Japan, KC of Korea, BSMI of Taiwan, EAC of Russia and the Eurasian Economic Union (EAEU), and BIS of India.¹

The Group provides quality products and services to customers by strictly following the quality standards. The Group conducts a 100% load test system (or “burn-in”) internally before shipment to make certain that quality requirements are met. The Group has set up a national accredited professional laboratory, against a backdrop where laboratories at this level of competency are only owned by a handful of electricity enterprises in Guangdong Province. The Group’s laboratory is also accredited by the China National Accreditation Service for Conformity Assessment (CNAS) ISO/IEC 17025 and has achieved qualifications relating to Customer Testing Facilities (CTF), the Client Test Data Program (CTDP) and Testing at Manufacturer’s Premises (TMP) that are authorized by internationally renowned institutions such as TÜV Rheinland AG, UL LLC, Intertek Group plc, SGS SA and DEKRA SE. In addition, in the United States, the Group is compliant with standards set by the California Energy Commission’s (CEC) energy efficiency laboratory. To offer quality products and services to customers, the Group’s laboratory is equipped with around 300 sets of various testing instruments and equipment, which can swiftly provide customers with professional testing services in terms of safety, reliability, electromagnetic compatibility (EMC), material analysis, fire-retardant and water-resistance solutions and electrical noise, as well as conditioning chamber testing.

Furthermore, the European Commission promulgated a new regulation on eco-design requirements for external power supplies (Commission Regulation (EU) 2019/1782), laying down requirements relating to a “no-load condition” for electric power consumption, in which the input of an external power supply is connected to the mains power source, but the output is not connected to any primary load, with effective from 1 April 2020. In 2019, the Group already modified its product designs in preparation for the new regulation to ensure its compliance with the prescribed requirements.

Technological innovation is the driving force for productivity. In order to boost productivity and competitiveness, the Group applied for 17 patents for its products during the reporting period, including anti-creepage and waterproof structural techniques.

¹ International certification marks: China Compulsory Certification (CCC) of China; UL (formerly Underwriters Laboratories) and Federal Communications Commission (FCC) of the United States; Geprüfte Sicherheit (GS) of Germany; CE (Electromagnetic Compatibility Directive/Low Voltage Directive) of the European Union; Product Safety Electrical Appliance & Material (PSE) of Japan; Korea Certification (KC) of Korea; Bureau of Standards, Metrology and Inspection (BSMI) of Taiwan; Eurasian Conformity Mark (EAC) of Russia and the Eurasian Economic Union (EAEU); and Bureau of Indian Standards (BIS) of India.

Espousing Integrity, Eradicating Bribery and Corruption

In order to eradicate the possibility of corruption, the Group has established an anti-bribery management system internally in which each staff member is required to sign an anti-bribery agreement and comply with the relevant requirements. Meanwhile, each staff member has to sign a confidentiality agreement to secure intellectual property and confidentiality. Externally, the Group adopts a supplier integrity cooperation covenant mechanism in which the obligations and responsibilities of both parties are clearly set out in order to eliminate lavish entertainment, rebates, gifts and any advantage in return for a favour when procuring materials and services. During the festive season, the Group will remind suppliers not to provide any gift to undermine the trustworthy partnership. When selecting sustainable suppliers, both parties have to sign the agreement and agree to trade fairly in accordance with the contractual arrangement.

UNLEASHING THE FULL POTENTIAL OF TALENT, ASSIGNING THE RIGHT TALENT TO THE RIGHT JOB

Employees are pivotal to the Group's success. The Group recruits the right candidates for the jobs according to the respective job requirements through fair and open recruitment. Also, regular training as well as learning and development opportunities are provided to its employees to enhance their competence and competitiveness. The Group also concerns about the health and safety of its employees and thus adheres to the standards established by an internationally recognized occupational health and safety management system. At the same time, nurturing a spirit of enthusiasm among employees and to integrating a good corporate culture into their lives are paramount to the Group, with an aim to increase the employees' sense of belonging and cohesion.

Deploying Talent Wisely, Taking Advice Receptively

Upholding the principle of "open recruitment and talent selection" and tying in with the labour policies set out in the national laws and regulations, the Group selects suitable candidates based on the qualifications, knowledge and skills required for the positions so that human resources can be optimally utilized in various departments. The Group has implemented an anti-discrimination policy which addresses the fair and equal treatment for all employees in terms of admission, salary, welfare, training opportunities, work arrangements and dismissal. With a view to building a fair and open working environment, the Group provides channels for its employees to voice out and resolve grievance issues such as unfair treatment or deprivation of rights.

The Group strictly prohibits the recruitment of child labour and/or forced labour by any department or staff member. During the reporting period, the Group complied with the relevant laws and regulations — notably the "Labor Contract Law of the People's Republic of China" and the "Social Insurance Law of the People's Republic of China" — that govern the remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, benefits and welfare, and the prevention of child labour and/or forced labour.

Caring for Employee Welfare, Demonstrating a Culture of Family

To foster corporate cohesion and productivity, the Group makes every effort to motivate and inspire its employees to experience a spirit of job dedication and perseverance, as well as to feel a sense of "family culture" in the workplace. Practically, the Group provides employee benefits such as meal allowances, married quarters and subsidies for mobile phone charges. Pursuant to local laws and regulations, the Group also provides statutory paid leave, including marriage leave, maternity leave and breastfeeding leave. Moreover, the Group prohibits overtime work on statutory holidays. In the staff accommodation zone, there are a gym room, a clinic, a library and a computer training room. Moreover, the Group offers counselling and financial assistance to its employees through the projects "Sunshine Project" and "Care Fund".

Planning Talent Development, Promoting Staff Training

The Group regards employees as the cornerstone of sustainable development and seeks to provide employees with an opportunity to realize their potential. In view of this, the Group devises an annual training plan based on the needs of different departments. The Group provides a wide range of training programmes to enrich the professionalism, skills and productivity of its employees while cultivating the sustainable development of employees and the Group. Employees are required to complete a specified minimum number of training hours. Under the COVID-19 pandemic, all employees adopted e-learning methods to receive sustainable training and development online. During the reporting period, the Group organized more than 2,000 hours of training in which each employee was able to receive professional skills training and management-knowledge consolidation every month. At the same time, the Group has developed its training system procedures based on the needs of employees so as to enhance their skills and efficiency as well as their occupational skill development. Examples include project management methodology and method as well as production process training. It is hoped that the training does not only enrich the knowledge and skills of its employees but also fosters the Group's business development, internal management and production research and development.

Stressing on Occupational Health, Demonstrating Workplace Safety

The Group is committed to safeguarding the health and safety of employees during the production and operation processes. The Group strictly follows the Production Safety Law of the People's Republic of China and other relevant laws and regulations pertaining to occupational health and safety, establishing an occupational health and safety protection management system. During the reporting period, the Group's production and R&D base, situated in Huizhou, Guangdong Province, continued to operate according to the framework set by the BS OHSAS 18001:2007 Occupational Health and Safety Management (OHS) standard. Relevant safety production training is organized every quarter, topics include case sharing about manufacturing, traffic safety, first aid and hazardous chemicals. Fire drills have been held in order to enhance the employees' capability to handle fire accidents. The Group rigorously carries out daily routine safety inspections as well as weekly production line safety inspections and fire services equipment inspection.

During the reporting period, the Group hired professional laboratories to test the drinking water to ensure that the PRC's national Standards for Drinking Water Quality GB 5749-2006 were met. Besides, as stipulated by the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, "Provisions on the Supervision and Administration of Occupational Health at Work Sites and Regulations for the Periodical Inspection" and "Management of Occupational Disease Hazards in Employers", the Group also hired external professional institutions to test and analyse various workplace conditions including chemicals used during the production processes, noise level, dust, temperature, protection facilities and equipment. Subsequently, improvement measures have been implemented to promote occupational health of employees. Through a series of risk identification and evaluation procedures, the Group devised a management plan for enhancing employee safety awareness in order to continuously improve health and safety performance.

GREEN DEVELOPMENT, ENERGY CONSERVATION AND EMISSIONS REDUCTION

Defining Environmental Protection Principles, Reducing Energy Consumption and Implementing Energy Conservation

The Group is diligent in taking measures with respect to environmental protection and the mitigation of pollution in various production and operation activities. Based on the environmental management system ISO 14001:2015, the Group has established its own environmental management system and derived a number of environmental protection policies. These policies mainly include formulation of energy conservation plan and target, quantification and monitoring of emission projects, proactive use of renewable energy and requiring all employees to follow the relevant policies and adopt the measures to achieve the goal of energy conservation and emission reduction.

Utilizing Renewable Energy, Finding Resources and Reducing

In order to maintain effective operation of the environmental management system, the Group will engage its internal audit team to conduct environmental operation monitoring and examination. The Group monitors the key features of activities which may cause significant environmental impacts and draws up an annual plan to alleviate such pollution.

The Group works to introduce renewable energy. In 2013, the Group built a solar energy system, which was placed on the rooftops of the production building and the idle outdoor areas of the Huizhou production base, as a means to harness clean energy. This introduction of renewable energy could educate and encourage all staff members to value the use of sustainable energy. During the reporting period, 6% of the total energy consumption was reduced while over 26% reduction of energy consumption intensity was concluded.

Energy Performance Figures

Grid power consumption (MWh)	40,931.88
Electricity generated by solar panels (MWh)	1,032.87
Fuel consumption (MWh)	298.13
Total energy consumption (MWh)	42,262.88
Energy consumption intensity (MWh/million revenue)	9.19

The Group's water consumption is mainly for household use and the local municipal government provides potable water. In 2018, the Group formulated a "Water Consumption Management System" aimed at regulating water consumption management to meet production and daily needs as well as to ascertain drinking water safety and water supply for production purposes. The Group adopts manual cleaning of solar panels to replace automatic water spray, saving approximately 360 m³ of water. The Group's water consumption figures during the reporting period are as follows:

Water consumption (thousand m ³)	450.91
Water consumption intensity (thousand m ³ /million revenue)	0.098

The Group is committed to conserving natural resources, energy and water. During the reporting period, the Group reviewed the daily operation. With sufficient lighting, modification has been made to the lighting system, gradually reducing the number of light tubes used. Moreover, the office air conditioning system must be turned off half an hour before the close of office.

Combating Climate Change, Controlling Emissions

Air pollution and greenhouse gases (GHGs) have attracted attention and concern from all walks of life, and the Group has adopted corresponding emission reduction measures in response. Exhaust gases are filtered before being discharged and activated carbon filter equipment is installed at the discharge outlet to meet prescribed emission standards and to mitigate environmental pollution. Third-party environmental consultant was commissioned to sample the emission regularly, and the data was subsequently processed and submitted to the environment authority for assessment. In terms of transportation, the Group has replaced its diesel oil-consuming forklifts with electric vehicle, as a means of reducing harmful air emissions. Also, the two newly acquired electric vehicles would have a higher priority to be used so as to reduce fossil fuel consumption and exhaust emissions.

Combustion emissions are mainly resulted from vehicles and generator sets. With reference to the Group's fuel consumption records and mileage records, as well as harmful gas emission factors involved in fuel type and combustion equipment, air emissions during the reporting period are listed below:

Air Emissions

Nitrogen oxide emissions (kg)	25.24
Sulphur oxide emissions (kg)	0.45
Suspended particulate emissions (kg)	9.00

The Group's GHG emissions are mostly generated through direct electricity consumption (Scope 2) while fuel combustion also causes GHG emissions. In accordance with Greenhouse Gas Protocol, a Corporate Accounting and Reporting Standard, published by the World Resources Institute and the World Business Council for Sustainable Development, the Group calculates the GHG emissions, where the figures are shown as follows:

GHG Emissions

GHG emissions (Scope 1) (tonnes of CO ₂ e)	80.10
GHG emissions (Scope 2) (tonnes of CO ₂ e)	21,575.19
GHG emissions (Scope 1 and Scope 2) (tonnes of CO ₂ e)	21,655.29
GHG emissions intensity (Scope 1 and Scope 2) (tonnes of CO ₂ e/million revenue)	4.71

Classifying Waste, Encouraging Recycling

In order to achieve the target of maximized recycling and water reduction, the Group classifies waste generated in the production processes and transfers recyclable waste to certified recyclers, with a priority given to returning the recyclable waste to its manufacturers or suppliers, according to the relevant waste disposal procedures. Moreover, the hazardous waste inevitably produced during the production processes will be handled by qualified institution.

In order to effectively monitor the Group's paper usage, the Group prepares monthly statistics with respect to the paper usage of each department and compares the statistics with the previous year. From the statistics, the Group's paper usage during the reporting period reduced by over 50% compared with the previous year. Nonetheless, the Group has implemented waste reduction measures and has placed recycling bins to encourage recycling of non-hazardous waste. The Group's waste figures during the reporting period are as follows:

Total hazardous waste produced (tonnes)	32.67
Intensity of hazardous waste produced (tonnes/million revenue)	0.007
Electronic equipment waste (kg)	1556
Total non-hazardous waste produced (tonnes)	923.18
Intensity of non-hazardous waste produced (tonnes/million revenue)	0.20
Recycling amount of non-hazardous waste (tonnes)	917.55

Packaging Materials

Paper and plastic are the main materials used for packaging the products, with figures shown below:

Total packaging materials (tonnes)	713.69
Paper (tonnes)	83.65
Plastic (tonnes)	630.04

CARING FOR THE COMMUNITY, HELPING THE ELDERLY AND PROVIDING EDUCATIONAL SPONSORSHIP

Community activities and donations from the Group focus on caring for the elderly, community engagement and the provision of educational sponsorships. This year, the Group made more than a dozen charitable donations in Hong Kong, Huizhou City and other regions, including continuous donations to Hong Kong-based charitable organizations, such as Hong Kong Baptist University Foundation, Shine Tak Foundation, The Amity Foundation and The Third People's Hospital of Huizhou. While the Group was enthusiastic about participating in different kinds of community work and charitable activities, under the pandemic of COVID-19, the Group responded to the appeal by the Government and suspended community activities this year with a view to slowing down the spread of the outbreak.