



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



2021

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING STANDARD 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”) 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. This report covers the reporting period from 1 January 2021 to 31 December 2021 (the “reporting period”). Unless otherwise stated, the scope of the report covers the Group’s production factory in Huizhou City, Guangdong Province, the People’s Republic of China (the “PRC”). With reference to the previous report, the Group’s other business units do not have significant environmental and social impacts generated during the reporting period, therefore they are not included in this report.

REPORTING PRINCIPLES

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

- **Materiality:** Through engaging with stakeholders as well as considering the Group’s business nature and development, material sustainability issues are identified.
- **Quantitative:** The Group quantitatively discloses its key environmental and social performance indicators where appropriate.
- **Consistency:** The scope and reporting method of this Report are substantially consistent with those of the precedent year, and this Report has also disclosed year-to-year comparative information.
- **Balance:** The Group has identified and disclosed the environmental, social and governance issues with significant impact on the Group’s business, including the achievements and challenges faced by the Group, in this Report.

SUSTAINABILITY GOVERNANCE

In order to enhance the sustainable development governance of the Group, ESG Working Group was formally established during the reporting period. The Board authorizes the ESG Working Group to assist them in coordinating and supervising ESG matters in order to address the risks and opportunities arising from various ESG issues. This report focuses on sustainability issues exerting a significant impact on the Group’s business. Approaches to identifying these issues include analyzing the environmental and social impacts on our business activities, reviewing and identifying stakeholders’ concerns, and gaining insight into global sustainability megatrends. All information disclosed in this report is based on the documents and data of the Group and has been reviewed and approved by the Board of Directors at the Board meeting.

REPORTING THEME AND PURPOSE

“Continuous breakthroughs for development, professional enhancement for strength”. With the solid experience and foundation accumulated by the Group in the electronic field, we are committed to do our best in quality, and fulfill our responsibility for environmental protection at the same time. In addition, the Group has contacted and communicated with a wide range of stakeholders in a timely manner to conduct materiality assessment, so as to disclose the Group’s direction, strategy and performance in a more pragmatic and complete manner. The report framework constitutes four major directions, namely, product quality, talent development, environmental protection and social welfare, with a goal of providing a more comprehensive overview of the direction, strategy and performance of the sustainable development of our business.

Seizing Opportunities, Creating Monumental Achievement Together

All electronic products are developed by the Group, which are subject to stringent testing and monitoring procedures according to international standards in the production process so that providing high-quality electronic products to our clients. The Group believes that quality monitoring is an important part of sustainable development, which help the Group to further expand its business, and also provide reliable services to our existing and potential clients whilst minimizing the environmental impacts.

Recommending Talents, Attracting Talents

To achieve the regional business growth target and enhance the Group’s competitiveness in the labour market, the Group emphasizes on cultivating talents and developing employees’ sense of belonging to the company. Therefore, the Group has formulated a series of training and development plans to ensure that all employees can fully develop their strengths. Upholding the principles of fairness and impartiality, the Group recruits the right talent for the right job through standardised employment practices, with a goal of preparing the Group for challenges and opportunities ahead as well as enhancing its competitiveness.

Reducing Emissions, Achieving Carbon Neutrality

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

Giving Back to the Society, Passionate about Public Welfare

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.

QUALITY FIRST, UPHOLDING HIGH DEGREE OF PROBITY

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 on the quality of materials.

Honesty and anti-corruption are rooted in the Group’s culture. The Group is convinced that this is more conducive to establishing mutual trust with suppliers.

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, the checked items are mainly included product quality, service quality, the environment, health and safety etc. When selecting new suppliers, their malfunction records are inspected and recommendation letter for integrity is required. The supplier management record and results of regular assessment are reviewed, covering reputation in the industry, presence of quality, environment, health and safety management systems, testing reports, sample quality verification etc. If the requirements are not met, the supplier shall take corrective and preventive measures. Suppliers will be disqualified if they are ultimately unable to satisfy the specified requirements.

For product development, the material-approval procedures are strictly implemented by different departments, including the Group's Research & Development (R&D) from headquarters and various R&D departments of business units, 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 the inspection by testing organizations. During the inspection processes, any quality issue found must be thoroughly reviewed, followed by improvement proposals and subject to further tests. All procedures must be properly handled in accordance with the relevant policies and procedures, and well documented.

The Group has established an impartial, effective and fair supply chain management system which requires our strategic procurement staff to conduct detailed evaluation and assessments when selecting suppliers. 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. During the reporting period, the Group has inspected 81 suppliers and all of them satisfied the requirements.

Supply chain management is highly important to the Group, ensuring quality and safety effectively. Apart from the existing supplier system assessment, the Group will try to adopt additional methods to monitor environmental and social risks along with the supply chain due to the increasing stakeholders' concerns. 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 are 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. During the reporting period, there were 84 main suppliers in the PRC.

Stringent Quality Control, Technological Research and Advances in Innovation

The Group regards the environmental impacts and quality of each product as its prim consideration. The Group has launched its own quality management system and 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 its quality standards on top of the said certified requirements. During the reporting period, the Group did not receive any major complaints and major claims regarding our products and services, and there were no product recalls caused by safety and health reasons. The Group conducts a 100% load test system (or “burn-in”) internally before shipment to ensure the fulfilment of the quality requirements. 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, the Group is compliant with standards set by the California Energy Commission’s (CEC) energy efficiency laboratory in the United States. 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 promptly 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.

The Group firmly believes that Research & Development and innovation are important driving forces for corporate growth. We continue to develop innovative power technology and products, leading the power industry to a high-tech level. The Group applied for a number of 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.

Upholding integrity and self-discipline, Eradicating Bribery and Corruption

The Group upholds high legal and ethical standards and requires all employees lead by example. Suppliers shall agree with our values and principles, uphold high standards of business integrity and technology, and sign an integrity agreement. An integrity management system has been established to prevent bribery, corruption and money laundering, setting out relevant rules and penalties and setting up a hotline for reporting. In addition, we will provide the training of integrity and anti-corruption for new employees and accept all-rounded supervision. They are required to sign an anti-bribery agreement and comply with the relevant requirements. Meanwhile, each staff member has to sign an agreement to secure intellectual property and confidentiality. The Group also provides unscheduled integrity training and case studies of the corruption to employees. During the reporting period, the Group did not have any corruption lawsuits.

UNLEASHING THE FULL POTENTIAL OF TALENT, TRAINING AND NATURE IN PROGRESS

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 transparent recruitment process. 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, Being Fair and Impartial

Talent is critical to the Group's business performance. The Group strives to create a corporate culture that focuses on communication and responsibility to stimulate the potential of employees. 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 build a fair and open working environment, the Group provides communication channels for its employees to voice out and resolve grievance issues such as unfair treatment or deprivation of rights, for nurturing a promising career prospect dedicatedly.

Below is the staff distribution and turnover rate of the Group

Total number of employees by employment type and gender		Male	Female
Full time	No.	3,540	2,659

Total number of employees by employment type and age group		Below 30 age	31-50 age	51-60 age	Above 60 age
Full time	No.	2,602	3,169	414	14

Employee turnover rate by gender		Male	Female
	%	22.6	19.2

Employee turnover rate by age group		Below 30 age	31-50 age	51-60 age	Above 60 age
	%	26.9	17.5	6.5	6.7

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 — including the “Labor Contract Law of the People’s Republic of China” and the “Social Insurance Law of the People’s Republic of China” — relating 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, Balancing for Work and Life

To foster corporate cohesion and productivity, the Group respects every employee and commit to creating a friendly workplace for employees. Practically, the Group provides employee benefits such as meal allowances, quarters for married couples 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 gymnasium room, a clinic, a library and a computer training room. 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 provides employees with an opportunity to reach their potential. Continuous learning and development is particularly important as it not only helps employees to enhance the skills, but also acquire new skills to adapt the changes of market. 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. During the reporting period, the Group organized more than 70,000 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.

Below is the distribution of training of the Group

Percentage of employees trained by employee category and gender

Senior Management	%	0.2
Middle Management	%	13.8
Technical staff	%	52.6
General staff	%	33.4
Male	%	57.1
Female	%	42.9

Average training hours per employee by employee category and gender

Senior Management	hours	4.68
Middle Management	hours	10.86
Technical staff	hours	9.96
General staff	hours	10.03
Male	hours	10.74
Female	hours	9.62

Concerning 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 abides by 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. In 2019, the Group's production and R&D plant, situated in Huizhou, Guangdong Province, was certified by the GB/T45001-2020/ISO45001:2018 Occupational Health and Safety Management System. Relevant safety production training is organized every quarter, topics associated with case sharing about manufacturing, traffic safety, first aid and hazardous chemicals. A number of fire drills have been held 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 number and rate of death due to work relations of the Group was zero, and the number of days lost due to work-related injuries was 432.

During the reporting period, the Group appointed 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 "Management of Occupational Disease Hazards and Regular Inspection in Employers", the Group appointed 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 REDUCTION²

Defining Environmental Protection Approaches, 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, Reducing Consumption

In order to maintain effective operation of the environmental management system, the Group will set up an internal audit team to proactively 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. In addition, the Group strives to enhance employees' awareness of environmental protection, so that they can better understand how to implement energy conservation, emission reduction, water conservation and waste reduction.

The Group endeavours 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.

² The environmental figures are prepared with reference to "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange of Hong Kong Limited.

Energy Performance Figures

Grid power consumption (MWh)	50,807.34
Electricity generated by solar panels (MWh)	1,303.94
Fuel consumption (MWh)	1,027.49
Total energy consumption (MWh)	53,138.78
Energy consumption intensity (MWh/million revenue)	8.57

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)	388.71
Water consumption intensity (thousand m ³ /million revenue)	0.063

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

The concerns on risks related to the environment, climate change and extreme weather are burgeoning. The Group is well aware of the importance of climate change and environmental protection, as well as its responsibility to mitigate its negative and adverse effects. Therefore, the Group has adopted an environmental protection policy to minimize the environmental impact of its business activities. 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. An external 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. Additionally, the Group will assess the location of factories and material suppliers to minimize the impact of climate change on the Group's operations and markets.

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 were listed below:

Air Emissions

Nitrogen oxide emissions (kg)	24.92
Sulphur oxide emissions (kg)	1.28
Suspended particulate emissions (kg)	98.08

The Group's GHG emissions are mostly generated through direct electricity consumption (Scope 2) while fuel combustion also causes GHG emissions. The Group's GHG emissions figures are shown as follows:

GHG Emissions

GHG emissions (Scope 1) (tonnes of CO ₂ e)	215.53
GHG emissions (Scope 2) (tonnes of CO ₂ e)	26,780.55
GHG emissions (Scope 1 and Scope 2) (tonnes of CO ₂ e)	26,996.08
GHG emissions intensity (Scope 1 and Scope 2) (tonnes of CO ₂ e/million revenue)	4.35

Categorizing Waste, Nurturing Recycling

To achieve the recycling maximization and waste minimization, the Group classifies waste generated in the production processes by waste categories 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. 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 were as follows:

Total hazardous waste produced (tonnes)	44.73
Intensity of hazardous waste produced (tonnes/million revenue)	0.007
Electronic equipment waste (kg)	1,207.00
Total non-hazardous waste produced (tonnes)	1,139.00
Intensity of non-hazardous waste produced (tonnes/million revenue)	0.18
Recycling amount of non-hazardous waste (tonnes)	1,139.00

Packaging Materials

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

Total packaging materials (tonnes)	4,513.53
Paper (tonnes)	3,778.79
Plastic (tonnes)	752.74

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. The Group actively participates in community work, strives to improve the quality of life of the people in the community, and strengthens the close relationship between itself and the community. During the reporting period, the Group continued to make charitable donations in Hong Kong, Huizhou City and other regions, including Hong Kong Baptist University, Hong Kong-based charitable organization Yan Oi Tong and The Third People's Hospital of Huizhou. While the Group was enthusiastic about participating in different kinds of community works and charitable activities, including more than 500 employees to attend the celebration party as organized by foreign business association, namely, Enterprise Worshipping The Communist Party Activity and participated basketball game as organized by parties in Huicheng District, namely, Jing Fu Champion.