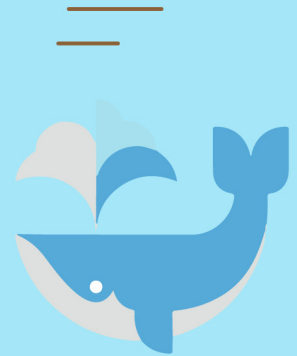




TEN PAO GROUP HOLDINGS LIMITED
天寶集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 1979



2024

環境、社會及管治報告

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 2023 to 31 December 2023 (the “Reporting Period”). 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. Same as the previous report (i.e. 2022), apart from covering the Group’s production factory in Huizhou City, Guangdong Province, the reporting scope includes the factory in Dazhou City, Sichuan Province. The Group’s other business units do not have significant environmental and social impacts generated during the reporting period and therefore they will be excluded in this report.

REPORTING PRINCIPLES

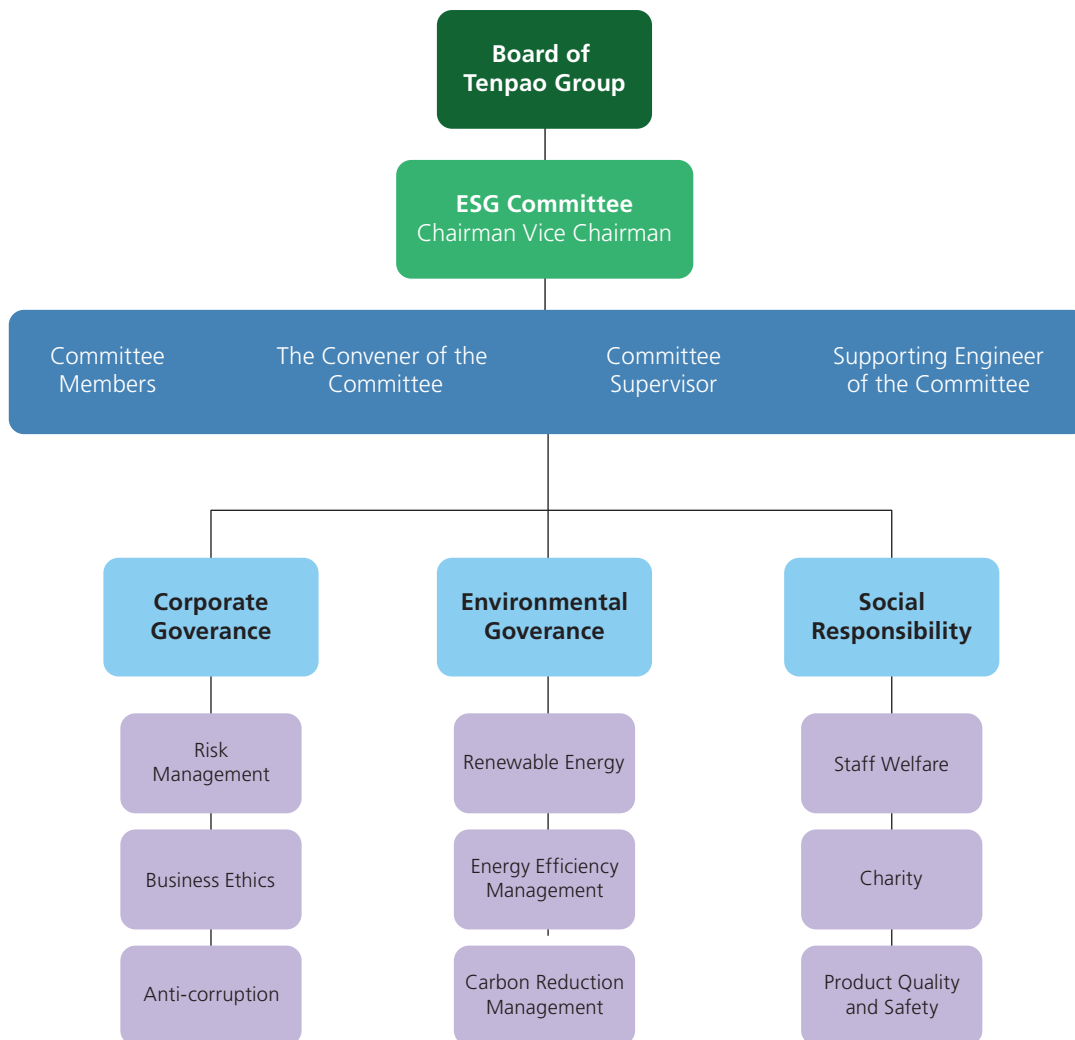
This report is prepared by applying four major reporting principles, namely, materiality, quantitative, balance and consistency.

- **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.
- **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.
- **Consistency:** The scope and reporting method of this Report are substantially consistent with those of the previous years, and this Report has also disclosed year-to-year comparative information.

SUSTAINABILITY GOVERNANCE

In order to enhance the sustainable development governance of the Group, an ESG Committee chaired by a director of a group company was formally established in 2021. The ESG Committee assists the Board to coordinate and oversee ESG matters, implement ESG strategies evaluation, prioritize and manage material ESG matters, as well as identify and assess the Group’s relevant risks, in order to establish an appropriate and effective ESG risk management and internal control system. The ESG Committee will regularly report major ESG matters to the Board.

The organizational chart of the ESG committee, main responsibilities of the key members and material issues identified internally:



Position	Main Responsibilities
Chairman	<ul style="list-style-type: none"> o Advance and supervise ESG work to ensure to meet the Group's needs and relevant laws, regulation, and regulatory requirements, and o Review and guide the revision of the Group's ESG relevant systems, and o Provide advice, make decisions leading to significant impacts on ESG, and report to the Board in a timely manner, and o Promote other ESG project-related development matters authorized by the Board.
The Vice Chairman	<ul style="list-style-type: none"> o Ensure ESG projects to have appropriate resources and units to provide data, advance the ESG projects to achieve targets, and o Formulate the Group's strategy, the policies and implementation plan on the ESG projects' objectives, and o Monitor the implementation of ESG projects-related initiatives and risk management issues in the daily operations of the Group, and o Facilitate and foster the implementation of ESG project-related initiatives, and o Ensure effective communication between the Group and stakeholders, and enhance the efficiency of committee operations, and o Promote the development of ESG projects.
Committee Members	<ul style="list-style-type: none"> o Ensure ESG projects to have appropriate resources and units to provide data under the appropriated scope, advance the ESG projects to achieve targets, and o Facilitate the development of the Group's policies and execution plans which align with the Group's strategic objectives and ESG project goals, and o Facilitate the implementation of ESG project-related initiatives, and o Promote the tasks assigned by the ESG committee and facilitate the development of ESG project-related initiatives. <p><i>(*Certain committee members take the lead in driving the comprehensive development of the Group's quality strategy and the planning and operational control of the quality management system. They have established quality and environmental systems, and oversee and monitor the implementation of environmental standards for products, materials, and quality by various business units. This ensures the effective operation of the Group's activities within the system scope.)</i></p>
The Convener of the Committee	<ul style="list-style-type: none"> o Responsible for liaising with external consultants and coordinating internal communication, and assisting in formulating the company's ESG management guidelines, goals, strategies and structures, and o Seize the latest trends in ESG development and the updated requirements of listing regulations, while evaluating ESG risks and opportunities, and report to the committee on these matters, and o Responsible for convening ESG Committee meetings and formulating focusing topics and agenda, and o Assist in outlining the ESG report and engage stakeholder for ESG initiatives.

Position	Main Responsibilities
Committee Supervisor	<ul style="list-style-type: none"> o Provide advice on the Group’s ESG projects work, data collection and control measures, and o Conduct internal audits and investigations for ESG projects to ensure compliance with laws and regulations, and o Review ESG projects and reports in compliance with the latest requirements of the listing regulations.
Supporting Engineer of the Committee	<ul style="list-style-type: none"> o Responsible for resolving and handling the ESG technical issues, and o Responsible for coordinating and reviewing ESG-related documentation and filing, and o Assist in the ESG database maintenance and optimization, and o Facilitate the implementation of ESG project-related initiatives, and o Promote the delegation of tasks within the ESG committee and facilitate ESG project-related initiatives.

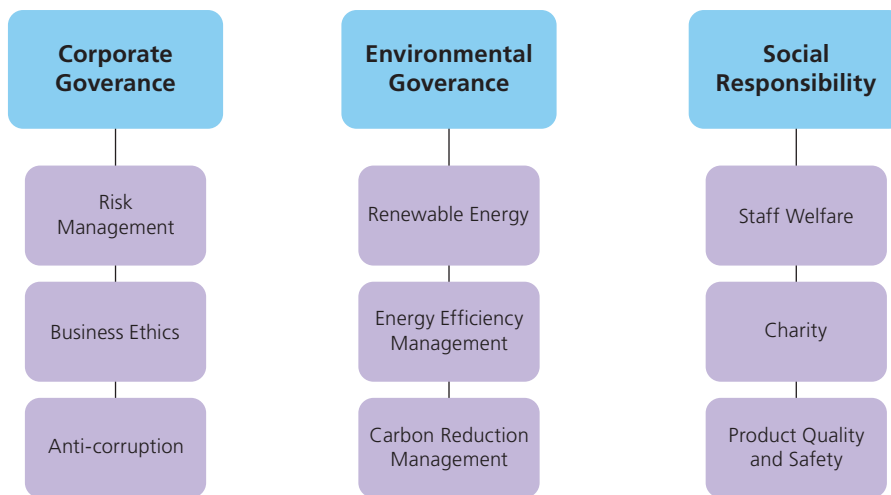
To enhance the ESG knowledge of the ESG committee and working groups, the Group have invited external professional consultants to provide ESG training tailored to our business. The training covers the latest trends in ESG, ESG risks and opportunities, which enables our management and staff to gain deeper understanding of the importance of ESG initiatives and their roles in addressing them.

The Group has participated in the “ESG+ Pledge” Scheme, demonstrating our commitment to sustainable development and ongoing evaluation of key performance indicators through our participation in this initiative. Meanwhile, the Group’s risk management working group has incorporated ESG compliance risks into their risk assessment survey to assist the ESG working group to fully understand the relevant potential risks. This could standardize risk management and internal control management. In the foreseeable future, the Group remains committed to embedding sustainable development elements into our business operations. We will continue to enhance our internal regulatory standards and mechanisms and optimize our sustainable corporate business model.

MATERIALITY ASSESSMENT

This report focuses on sustainability issues exerting significant impacts 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 at the Board meeting.

After a comprehensive understanding of the relevant risks faced by the Group, the ESG committee has identified 9 material issues encompassing corporate governance, environmental governance, and social responsibility:



Establishment of corporate culture — “Dedication and Care in Workplace”

“Dedication and Care in Workplace” has consistently been ingrained within the Group, reflecting our unwavering commitment. In line with this essential corporate culture, we persistently endeavor to improve staff welfare and remuneration packages. In addition to stern adherence to the legal and regulatory requirements concerning aspects such as compensation, staff promotion, recruitment and termination, working hours, leave entitlements, equal opportunities, diversity and inclusion, anti-discrimination, other benefits and welfare, as well as prevention of child labor and forced labor, the Group have taken strides to improve holiday benefits (including but not limited to statutory holidays) and elevate living allowances (including meal expenses and phone charges) in this fiscal year so as to alleviate employee life pressure, promote holistic well-being and cultivate a productive and sustainable working environment in the long run.

The following are the employee distribution and attrition rate within the Group in this fiscal year:

Total number of employees by employment and gender		Male	Female
Full-time	No.	3,503	2,619

Total number of employees by employment type and age group		Below 30	31-50	50-60	Above 60
Full-time	No.	2,143	3,241	727	11

Employee attrition rate by gender		Male	Female
	%	70.2	61.7

Employee attrition rate by age group		Below 30	31-50	51-60	Above 60
	%	77.6	54.4	52.6	150.0

Employee Gender Distribution



Nurturing Humanity, Creating a Welcoming and Inclusive Environment

The Group actively collaborates with the government to fulfill its social responsibility by proactively providing high-quality employment opportunities and a diversified work environment for people with disabilities, thereby promoting their employment opportunities. In early 2023, the Group organized the “Spring Breeze Action” and Employment Assistance Month (Special Job Fair for People with Disabilities) in Huizhou City. On-site recruitment was conducted specifically for people with disabilities. Until December 2023, the Group has hired 170 people with disabilities and successfully accomplished the recommended ratio set by the government for responsible corporate practices. Additionally, the Group has established supportive policies for people with disabilities, providing a guaranteed monthly salary and additional subsidies for full-time employees with disabilities, demonstrating the Group’s commitment to addressing societal needs and creating a friendly and inclusive workplace.

In addition to our dedicated support for individuals with disabilities, the Group places great emphasis on the work-life balance of our employees and have implemented stringent regulations on overtime working. To ensure the prevention of “forced labour”, the Group has established a 5-day workweek, with a standard 8-hour workday, as part of our commitment to maintaining a healthy and sustainable work environment. To safeguard against excessive overtime and promote fair working conditions, we have set clear limits on overtime hours based on job responsibilities and departmental guidelines. These limits cannot be exceeded except for adjustments to department or job roles. Moreover, as a standard practice, employees are entitled to weekends off (Saturday and Sunday) to guarantee their physical and mental well-being.

The Group maintains a strong commitment to maintaining a healthy work environment and safeguarding the legal rights of minorities. We firmly adopt a “zero-tolerance” policy towards the use of child labour and strictly prohibit any forms of child labour that is prohibited by international standards or relevant laws and regulations; meanwhile, a comprehensive “Anti-Discrimination Procedure” has been established to ensure that employees receive fair treatment in various aspects, including recruitment, wages, benefits, training opportunities and working arrangements.

Valuing Employee Development and Well-being

With the provision of various forms of training, the Group enhances employees’ job skills and efficiency while strengthening their adaptability and resilience. These efforts also foster a sense of identification and belonging among our workforces. To ensure effective recruitment and training management, the Group has established the “Recruitment and Training Management Procedure”. Each department is required to develop an annual training plan based on the analysis of past training outcomes and the anticipated needs for the upcoming year. This involves conducting surveys, analysis, and discussions. Once approved, the relevant departments break down the annual plan into monthly plans and execute them accordingly. At the end of the year, departments review the training outcomes and maintain records to facilitate continuous improvement and the formation of a systematic training framework.

During this reporting period, the Group organized more than 85,000 total training hours. The Group has been enhancing its capabilities by reallocating resources and focusing on training technical and professional staff. As a result, the average training hours per person for technical and professional staff have increased. The average training hours per person in current year are 11.8 hours, slightly lower than the previous year (12.4 hours).

The following is the distribution of training provided within the Group:

Percentage of employees trained by employee category			
Position level	Unit	2022	2023
Senior Management	%	0.3	0.8
Middle Management	%	7.8	9.1
Technical staff	%	26.8	23.1
General staff	%	68.3	66.9
Percentage of employees trained by gender			
Male	%	55.8	57.0
Female	%	44.2	43.0
Average training hours per employee by employee category			
Position level	Unit	2022	2023
Senior Management	hours	9.68	16.69
Middle Management	hours	19.57	20.30
Technical staff	hours	18.23	18.33
General staff	hours	8.69	8.39
Average training hours per employee by gender			
Male	hours	12.34	11.63
Female	hours	12.43	12.13

During the reporting period, the Group has optimized the welfare policies and further enhanced the Group's welfare system to better meet the employees' needs. This has fostered a sense of belonging and embodied the Group's corporate culture of "Dedication and Care in Workplace". As a result, employees' self-worth has been elevated, and the cohesion within the organization has been strengthened, leading to a win-win situation in achieving both individual and corporate goals. Some of the revised and improved welfare policies implemented by our group during the reporting period include:

1. Allocation of over 250,000 RMB staff welfare funds for employee benefits, holiday activities, condolence payments, team-building activities, etc.
2. Streamlined sick-leave application procedures, the company allows employees to request sick leave in a more simplified manner and enable them to feel understood.

In order to improve the living conditions for employees and enhance their satisfaction, the Group has allocated more than 300,000 RMB to renovate the employee’s dormitory building; meanwhile, the Group has revised the “Dormitory Management Policy” to ensure the proper utilization, arrangement, and cleanliness of the dormitory environment. The following highlighted measures have been implemented:

1. Installation of washing machines on each floor, and
2. Provision of Wi-Fi accessibility, and
3. Refurbishment of dormitories infrastructure and facilities, and
4. Regular conduction of dormitory cleanliness assessments and employee welfare interviews, during which outstanding dormitories are recognized and rewarded, reflecting the commitment to fostering a sense of “home” culture.



2023 Executive Power Seminar



Ten Pao Product Line Training Workshop



The 16th Ten Pao Academy “White-collar Class”



Huizhou Academy (Ten Pao Class)

Protecting Workplace Safety, Caring for Employee Health

The Group has always put employee safety and health as the top priority and strictly adhere to the Law of the People's Republic of China on Work Safety and implement other relevant regulations on occupational health and safety. The Group has also obtained the GB/T45001-2020/ISO45001:2018 Occupational Health and Safety Management System certification to ensure the effective operation of occupational health and safety. Every quarter, we conduct safety production trainings covering different topics such as case studies of production safety, traffic safety, first aid, hazardous chemicals safety and so on. Additionally, the Group has conducted multiple times of fire drills to enhance employees' ability to responsively react to emergency circumstances. In the daily operations, we strictly enforce safety inspections including weekly production line safety and firefighting equipment inspection. These measures could effectively ensure the safety of employees and demonstrate our superior performance in occupational health and safety management.

During the reporting period, the Group has enhanced the requirements of occupational hazard reporting and further refined the mechanism for reporting hazards. We are proud to report that there are no work-related fatalities among our employees during this period. Additionally, the total number of working days lost due to work-related injuries amounted to 37 days.

	2021	2022	2023
Number of Fatality	0	0	0
Rate of Fatalities	0	0	0

The Group has also appointed professional laboratories to test the drinking water to ensure that the People's Republic China (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 has appointed external professional institutions to test and analyze 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 has devised a management plan for enhancing employee safety awareness in order to continuously improve health and safety performance.

In addition to providing basic occupational safety protections, the Group goes a step further in caring for the physical and mental well-being of employees. We organize timely seminars and discussions to raise awareness among employees about mental and emotional health. Throughout the reporting year, the Group held various activities and competitions to foster relationships among employees, enhance their sense of belonging, and provide them with opportunities for relaxation and stress relief. These initiatives aim to promote better physical and mental health among employees, enabling them to effectively cope with work and life challenges.



Parent-child Activities on Labor Day



The 6th Zongzi Wrapping Competition



Ten Pao Cross-departmental Team Building



Basketball Friendly Tournament

Sustainable Horizons: Nurturing a Greener Future through Environmental Management

As a provider of smart power solutions, the Group is committed to enhancing energy conversion efficiency and promoting sustainable development worldwide. In 2023, the Group also received several awards and accolades in the field of innovative technology and new energy technologies, demonstrating its widespread recognition in driving the development of new energy. These awards include, but are not limited to, “the Best Inverter Supplier in China’s Energy Storage Industry”, being recognized as an “Advanced Energy Storage Enterprise” of 2022, a “Technology Innovation Demonstration Enterprise” of 2022, and winning the Gold Award for Exhibition Products at the 2023 “World Battery Industry Expo”.



the Best Inverter Supplier in China’s Energy Storage Industry



“Advanced Energy Storage Enterprise” of 2022



“Technology Innovation Demonstration Enterprise” of 2022



Gold Award of “World Battery Industry Expo” of 2023

Ten Pao Group is not only committed to developing its own technologies to promote sustainable development on a national level but also strives to actively manage its energy consumption and carbon emissions. The Group places a strong emphasis on enhancing energy conversion efficiency within its operations to minimize its environmental footprint. Therefore, we formulate different highlighted environmental management policies with internal execution procedures, particularly for different resources, for instance, “Chemical Hazardous Substance Management Procedures”, “Transport, Storage and Usage of Chemical Hazardous Substances Safety Regulations”, and “Wastewater Management Regulations”. Apart from daily management, the Group set up different promotional, educational, and monitoring measures for the usage and handling of different resources in order to minimize the waste of resources. Those measures include regular trainings to new staff and establish a special task force for monthly data collection, analysis and monitoring of electricity, water, and paper consumption, as well as cost evaluation.

In terms of electricity consumption, the Group has introduced energy-efficient machineries particularly for optimizing energy usage and reduction of wastage, which contributed to a recovery of over 60% of electrical energy. Moreover, all lighting systems were replaced by a more energy-efficient LED technology with longer lifespan and invest technologies with high energy efficiency to replace existing machineries. The following is the figures of energy consumption performance in this fiscal year:

Energy Consumption Performance	2022	2023
Grid power consumption (MWh)	58,712.12	53,071.90
Electricity generated by solar panels (MWh)	1,237.37	1,236.58
Fuel consumption (MWh)	947.33	119.88
Total energy consumption (MWh)	60,896.82	57,975.34
Energy consumption intensity (MWh/million revenue)	11.11	12.02

In terms of water consumption, the Group primarily relies on the local municipal government for the provision of water, which is predominantly used for domestic purposes. In order to regulate water usage to meet both production and domestic needs and ensure the safety of drinking water and secure the supply of water for production purposes, the Group took the initiative to set up “Water Usage Management System” in 2018. The circular economy business model of the Group could even effectively reduce the water consumption. Recycling and reuse of water from metal grinding processes and recycling compressed air-cooling water for domestic use are two of the means to contribute to reduction of more than 8,500m³ of water.

The Group's water consumption figures during the reporting period are indicated as follows:

	2022	2023
Water consumption (thousand m ³)	507.49	541.69
Water consumption intensity (thousand m ³ /million revenue)	0.092	0.11

The Group is committed to conserving natural resources and saving energy and water consumption. During the reporting period, we conducted a thorough review of the Group's daily operations to identify energy-saving measures. In terms of lighting, adjustments were made to the office lighting system to gradually reduce the usage of fluorescent tubes, taking advantage of natural lighting whenever possible. Additionally, the air conditioning in the office is required to be switched off half an hour before the end of the workday.

Combating Climate Change: Stringent Control of Emissions

With the boosted concern on climatic and environmental change and frequent emergence of adverse weather, mitigation of climate risks has become an important agenda. The Group deeply recognizes the vitality of combat of climate change and environmental protection and is fully aware of its responsibilities to mitigate adverse and negative impacts. Climate risks encompass physical risks and transitional risks. Physical risks refer to the direct impacts of climate change, such as floods, rainstorms, hurricanes, on our operations, assets and along the supply chain; transitional risks arise from the global transition towards a low-carbon economy and the shift to sustainable practices, which include regulatory changes, market shifts, and technological advancements. We are dedicated to assessing and anticipating climate risks and their corresponding measures to manage climate-related challenges.

The Group has adopted and launched a series of environmental policies and measures so as to minimize the negative environmental impacts caused from the Group's business and operations. For example, we proactively applied renewable energy in production processes; implement plans for controlling Greenhouse gas (GHG) emissions; and through the installation of exhaust gas filtration systems and the incorporation of activated carbon filtering equipment at our emission outlets, we effectively filter and treat the emitted exhaust gases to meet stringent emission standards. Meanwhile, we regularly entrust professional environmental consultants for emission sample collection and monitoring, then submit the data for evaluation by Ministry of Ecology and Environment to comply with the stringent emission standards. In terms of transportation, we are actively implementing sustainable practices to reduce emission and fuel consumption. We transitioned traditional diesel vehicles to electric vehicles and take advantages of electric vehicles operated by new energy types. Furthermore, we also conduct thorough assessments of the locations of our factories and material suppliers to proactively address the potential impact of climate change on our operations and markets.

In terms of combustion source emissions, the primary contributors are vehicles and power generators. Based on our group's fuel consumption records, vehicle mileage, and emission factors associated with fuel and relevant equipment, air emissions during the reporting period are listed below:

Air Emissions	2022	2023
Nitrogen oxide emissions (kg)	21.52	27.31
Sulphur oxide emissions (kg)	1.17	0.50
Suspended particulate emissions (kg)	86.24	22.01

The Group has also established the “GHG Management Procedure” to tackle and effectively manage GHG emissions, data collection, calculations, reporting and verification processes. This procedure aligns with the requirements outlined in ISO 14064-1:2018, the “Specification with guidance at the organization level for quantification and reporting of GHG emissions and removals”. Following the guidelines of ISO 14064-1:2018, we have identified and quantified the sources of GHG emissions within our organization. This includes activities such as combustion, energy consumption, transportation, and other relevant processes. Based on this assessment, we have developed a comprehensive GHG inventory.

On the one hand, the major contributor to GHG emissions of the Group is primarily direct electricity consumption (i.e. Scope 2 emission). On the other hand, fuel combustion also generates a portion of GHG emissions. The GHG emissions data for our group are as follows:

Greenhouse Gas Emissions	2022	2023
GHG emissions (Scope 1) (tonnes of CO ₂ e)	197.44	98.28
GHG emissions (Scope 2) (tonnes of CO ₂ e)	30,930.69	27,954.96
GHG emissions (Scope 1 and Scope 2) (tonnes of CO ₂ e)	31,128.13	28,053.24
GHG emissions intensity (Scope 1 and Scope 2) (tonnes of CO ₂ e/million revenue)	5.68	5.82

Sorting, Recycling and Reusing for a Greener Future

According to the Group’s waste management procedures, the waste generated during the production processes would be classified. For recyclable waste, our preferred approach is to return it to the manufacturer or supplier, and if not feasible, we would engage recycling companies as a secondary option. During the reporting period, all electronic waste generated in the production processes was sent to qualified recycling facilities for proper recycling. Hazardous waste is handled by qualified waste management companies to ensure safe and compliant disposal. The data of waste are shown below:

Waste Management	2022	2023
Total hazardous waste produced (tonnes)	36.35	24.92
Intensity of hazardous waste produced (tonnes/million revenue)	0.007	0.005
Electronic equipment waste (kg)	16,180.00	499.50
Total non-hazardous waste produced (tonnes)	1,515.19	1,433.85
Intensity of non-hazardous waste produced (tonnes/million revenue)	0.28	0.30
Recycling amount of non-hazardous waste (tonnes)	1,515.19	1,433.85

For products packaging, the Group mainly uses paper and plastic as the materials, with figures shown below:

Packaging Materials	2022	2023
Total packaging materials (tonnes)	4,310.82	3,519.53
Paper (tonnes)	3,658.99	2,690.05
Plastic (tonnes)	651.83	829.48

Effective Resource Management for Sustainable Development

The Group is dedicated to promoting sustainable development and implementing effective resource management. During the reporting period, the Group observed a slight increase in water and electricity consumption. To achieve better carbon reduction performance, the Group will set targets and implement appropriate monitoring in the coming year to make further progress in mitigating carbon emissions.

Excellence Unveiled: Unwavering Commitment to Product Quality

Leading the Way in Quality and Safety: Ensuring Industry Assurance

This year, the Group achieved an impressive milestone by shipping over 130 million units of products, showcasing its strong competitiveness in the market. Furthermore, the Group had no product recalls due to safety and health issues, maintaining the excellent performance of the previous year. This reflects the Group's high regard for product quality and firm commitment.

Quality First, Integrity in Collaboration

As a manufacturer of power products, the Group have always adhered to the principle of "Survival through Quality, Development through Quality, and Efficiency through Quality" in our production and research and development processes. We place great importance on the quality of materials provided by our suppliers. At the same time, a culture of integrity and anti-corruption is deeply embedded in the Group's values. We require all our suppliers to have robust policies on integrity and ethical conduct. We firmly believe that this approach helps foster trust and collaborative partnerships with our suppliers. Upholding the principles of honesty and public service, we are committed to maintaining a strong ethical foundation throughout our business practices.

Enhancing Supply Change Management, Sourcing Premium Materials

The group implements strict supplier selection and management practices to ensure the quality of our products. We have established a comprehensive supplier management system that governs the entire process to maintain consistency and adherence to our quality standards. Our supplier management system covers a wide range of steps: supplier selection, capability investigations, and comprehensive evaluations with various aspects. We also conduct regular site visits, focusing on product quality, service quality, environmental practices, health, and safety measures, among others. When selecting new suppliers, the Groups carefully examines their past records and requests integrity recommendation letters. Existing suppliers undergo periodic assessments, including evaluating their reputation in the industry, the presence of quality, environmental, health, and safety management systems, inspection reports, and sample quality reviews. Detailed guidelines are established for these assessments. If a supplier fails to meet the requirements, they are required to take corrective and preventive measures. If they still fail to meet the specified requirement, their qualification as a supplier may be revoked. All 112 suppliers we cooperated within this reporting period, 36 more than the previous year, were sourced from mainland China. During the reporting period, we have inspected 48 new suppliers and 64 existing suppliers, and the results demonstrated that all suppliers met the specified requirements.

The Group has always placed great emphasis on supply chain management to ensure quality and safety effectively. In addition to the existing evaluation of supplier systems, we have recognized the increasing importance and depth of stakeholder concerns. As a result, we have taken additional measures to monitor environmental and social risks within the supply chain. In our management process, we highly prioritize risk control of suppliers. According to the established "Supplier Quality Risk Assessment Standards", we classify suppliers' quality risk into four levels, ranging from low to high. This classification allows us to regularly assess and evaluate the quality risk associated with each supplier. In order to enhance the monitoring of environmental and social risks within our supply chain, we require suppliers to sign the "Supplier Corporate Social Responsibility Management Agreement". This agreement ensures that suppliers adopt socially responsible practices in the production of goods or provision of services. The requirements encompass various areas, including the prohibition of child labor, forced labor, and environmental protection.

In addition to the aforementioned initiatives, the Group also organizes an annual supplier conference, inviting key suppliers to participate. The purpose of this conference is to ensure that suppliers are aligned with our group's development strategies. This includes communicating our green procurement requirements, encouraging suppliers to assess their carbon footprint, and preparing for our future reporting of Scope 3 emissions.

Strict Quality Control and Our Commitment to Research and Innovation

The group places a strong emphasis on product quality and has established a comprehensive management system. We have obtained relevant management certifications such as ISO 9001 to demonstrate our commitment to maintaining high standards in our products and processes.

During the product development and production processes, the Group has successfully obtained several domestic and international certifications as well, 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



Certificates of Ten Pao's laboratory

The Group has steadfast commitment to product safety and customer health, ensuring the provision of high-quality products and services. Throughout the reporting period, our group did not receive any significant complaints or major claims regarding our products and services.

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.

To strictly control product quality, the Group conducts load testing before shipment to ensure compliance with requirements. The Group's laboratory has obtained ISO/IEC 17025 certification and accreditation from the China National Accreditation Service for Conformity Assessment (CNAS), establishing its status as a national-level professional laboratory. Our laboratory also holds qualifications such as Customers' Testing Facilities (CTF), Client Test Data Program (CTDP), and Testing at Manufacturers Premises (TMP). Additionally, our laboratory is qualified and compliant with the standards set by the California Energy Commission (CEC). Moreover, the Group's laboratory has been authorized by globally recognized institutions such as TUV Rheinland, UL, Intertek, SGS, and DEKRA. These recognitions demonstrate the professional capabilities and compliance of our laboratory.

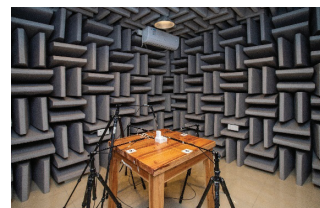
To offer quality products and services to customers, the Group's laboratory is equipped with around 300 sets of various testing instruments and equipment, which can timely provide customers with professional testing services in terms of safety, reliability, electromagnetic compatibility (EMC), material analysis, fire-retardant and water-resistance solutions and electrical noise, as well as conditioning chamber testing.

We guarantee customer confidence through laboratory testing and certifications. We stay proactive in response to changing circumstances and continue to strive to provide high-quality products and services, and continuously improve our testing capabilities to meet customer needs and expectations. In 2023, we further added a new harmonic analyzer and obtained CAN and UL certifications in May and July respectively.

To effectively handle goods returned from customers, the Group has formulated a specified procedure managing and controlling the whole return process systematically, such as returning goods, receiving goods and re-ordering. In the meantime, the Group will further investigate the root causes of the defective goods to continuously improve product quality.



EMC Laboratory



Electric-wave Laboratory



Environment Laboratory



Components Analysis Laboratory

To meet the needs of growing and fast-changing markets, the Group develops new products continuously, and has established the standard operation procedure named as “Procedure on Creating New Product Projects” and “Product Development Planning Procedure”. “Procedure on Creating New Product Projects” guides processes about creation of new product projects and development pre-assessment of development, such as assessment on the future market demand and laying down requirements to create new projects so as to achieve timely projects creation, projects being manageable, R&D costs saving, and increase the project success rate. “Product Development Planning Process” guides and standardizes the entire process of design and development planning, input, output, review, verification, confirmation, conversion control, and document retention, defines the tasks of each stage, establishes the work objectives of each stage, and ensures the process of design and development under control. Participation includes sales on Business Group (BG)/subsidiaries, R&D, Business Group manufacturing, procurement, product safety, engineering, quality control, Group R&D Business Group (including research institutes), resource Business Group, human resources departments etc.

Commitment to Integrity, Maintaining a Corruption-Free Environment

The Group recorded zero corruption-related litigation during the reporting period.

We always uphold high legal and ethical standards and requires all employees lead by example, and establishes an integrity management system to prevent bribery, corruption and money laundering, setting out relevant rules and penalties and setting up a whistleblowing hotline. We will provide training of integrity and anti-corruption for employees newly joined and they are required to accept all-rounded supervision and sign anti-bribery agreements and comply with the relevant requirements to secure intellectual property and confidentiality. The Group also provides integrity training and case studies of corruption to employees from time to time. Suppliers shall also agree with our values and principles, uphold high standards of business integrity and technology. Every year, an open letter of integrity is issued by the Group’s Chairman to suppliers, and all suppliers must sign integrity agreements as well.

Safeguarding Intellectual Property: Robust Management and Control Procedures

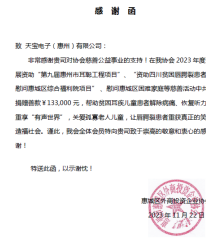
The management of intellectual property rights has a great impact on the Group’s R&D innovation and business promotion. Therefore, the Group has established the “Organisational Intellectual Property Management Procedures” to protect the Group’s intellectual property rights effectively, strengthen the management of research and development results, and promote technological innovation activities, preventing the loss of intangible assets and improving market competitiveness. “Organisational Intellectual Property Management Procedures” set out the relevant application procedures, the judgment criteria on the practicality, novelty, and creativity of patents, as well as the management and maintenance of patents.

Empowering Communities: Ten Pao's Philanthropic Endeavors

The Group is not only dedicated to maintaining stringent risk management and upholding business ethics but also actively engages in community investment and participation. We believe in supporting the creation of a diverse and inclusive society. Through various programs and partnerships, we aim to create opportunities, foster inclusivity, and promote equality. By doing so, we seek to make a positive impact on the community and contribute to its long-term sustainable development. In 2023, the Group participated in and invested more than 500,000 RMB to more than 10 charitable community programmes. To facilitate and promote social diversity and inclusive development, we supported a wide range of community initiatives, including caring for the elderly, showing hands to minority groups, and supporting education for the younger generation. The Group supported the 2022–2023 Community Chest's Walk for Millions, educational initiatives in Shuikou District, Huizhou, and the organization of the 19th "Senior Games" in Dazhou City, sponsored elderly activity organized by "Dazhou County Public Social Service Centre", donated computers to schools in remote rural areas in need, established a scholarship programme to support educational initiatives, funded the 9th "Huizhou City Hearing Impaired Project", "Cleft Lip and Palate Patients in Sichuan Province — Visiting Huicheng District Comprehensive Welfare Home Project", and proactively provided support to underprivileged families in Huicheng District.



Donation for Educational Initiatives



Funding the 9th "Huizhou City Hearing Impaired Project", "Cleft Lip and Palate Patients in Sichuan Province — Visiting Huicheng District Comprehensive Welfare Home Project"



Support to The Community Chest of Hong Kong



The 19th "Senior Games" in Dazhou City

OUR FUTURE OUTLOOK

The Group has been committed to achieving sustainable development from the beginning and considers it a core value of long-term business operations. We are well aware that in an ever-changing environment, continuous efforts are necessary to maintain a competitive advantage. Therefore, we pledge to take more proactive actions in social investment and environmental protection.

In the future, the Group will set up more substantial environmental policies to mitigate and minimize the adverse effects to the environment derived from the operations. We promise to drive efficient energy types to reduce carbon emissions, striving for carbon neutral. We will keep evaluating and managing all climate risks and come up with measures to combat climate change and adapt the changing environment.

Meanwhile, the Group will continue to monitor the community needs, and through collaborative programs and resource sharing, we are committed to creating opportunities, fostering inclusivity, and driving a sustainable community.

Furthermore, the Group will strengthen cooperation with suppliers to establish a culture of integrity and transparency. We will continue to oppose corruption and bribery and uphold ethical and legal standards in our business activities. Such collaborative partnerships will help build mutual trust and work towards achieving sustainable development goals together.

The Group firmly believe that through ongoing social investments and the formulation of more robust environmental policies, we can maintain our competitive advantage in the field of sustainable development. We will continue to strive for improvement and innovation to ensure that our business activities have a positive impact on society and the environment, while achieving long-term economic success.