



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

Stock Code: 840

2020 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

* for identification purposes only

Environmental, Social and Governance Report

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About the Report

Xinjiang Tianye Water Saving Irrigation System Company Limited (the “Company”) and its subsidiaries (the “Group” or “we”) are pleased to present the Group’s Environmental, Social and Governance Report (the “ESG Report”). This report enables the stakeholders to understand our policies, practices and performance as to environmental, social and governance (“ESG”) issues, while demonstrating our long-term commitments to sustainability development for the stakeholders. For additional information about the Group’s corporate governance and financial results, please refer to our annual report for the year ended 31 December 2020.

Preparation Basis and Scope

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

This ESG Report covers the “Reporting Period” from 1 January 2020 to 31 December 2020, when the Group, as a provider pioneering one-stop solutions for water saving irrigation system in the People’s Republic of China (“PRC”), is principally engaged in the design, manufacturing and sales of drip tapes, PVC/PE pipelines and drip assemblies used in water saving irrigation system, and also engaged in the provision of installation services of water saving irrigation systems for its customers.

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

Reporting Principles

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

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

ESG Governance Structure

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

Stakeholder Engagement

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

Stakeholder	Communication channel
Employees	<ul style="list-style-type: none"> • Daily internal meetings • Employee training, seminars and briefings • Annual employee performance appraisal and performance evaluation meetings • Employee care activities • Festivals and welfare activities • Regular feedback and consultation
Customers	<ul style="list-style-type: none"> • Business meeting with customers • Visits to and interviews with customers • Posts released on WeChat Official Account • Responses to customers’ product inquiries • Regular customer visits
Suppliers and other business partners	<ul style="list-style-type: none"> • Business meetings and communications with suppliers on demand • Regular supplier assessments • Scheduled site visits • Cooperation opportunities through communications • Instant messaging software
Shareholders and investors	<ul style="list-style-type: none"> • Group website • Group’s financial reports and circulars • Group’s announcements • Annual or extraordinary general meetings
Government and regulatory bodies	<ul style="list-style-type: none"> • Compliance report as appropriate • Meetings and negotiations with government departments on relevant projects • Party building activities

Report Availability

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

Contact Information

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

A Environment

A1 Emission

In compliance with the requirements under such laws and regulations as the “Environmental Protection Law of the People’s Republic of China”, “Law of the People’s Republic of China on Prevention and Control of Water Pollution”, “Law of the People’s Republic of China on Prevention and Control of Environmental Protection by Solid Waste”, and “Law of the People’s Republic of China on Promoting Clean Production”, the Group established the “Management System for Standard Emissions of Greenhouse Gas and Hazardous and Non-Hazardous Waste” and “System for Identification, Assessment, Control and Management of Environmental Factors”, under which, the Group has a specific department to engage in full monitoring over standard emissions of greenhouse gas and hazardous and hazard-free waste, and is subject to regular inspection by the relevant environmental supervision authorities. The Group’s emissions of waste are mainly sorted into three types, namely, solid waste (including packaging waste, office waste, and municipal solid waste), liquid waste (including water for production and domestic sewage), and waste gas (including dust and smoke), the disposal methods and countermeasures of which are set forth as below:

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

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

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

The Group's Achievement in Reducing Emission in 2020

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

During 2020, no environmental or contamination accident was reported by the Group.

A2 Use of Resources

In compliance with the requirements under the “Energy Conservation Law of the People’s Republic of China”, the Group establishes the “Energy Conservation and Consumption Reduction Procedures”, under which, we will exercise control over the use of energy and resources during our production, operations, and management. Based on our energy consumption in 2019, the Group formulated the implementation plan for energy conservation and consumption reduction for 2020. By adopting several measures, including upgrades and transformation of the recycling system for water for production and production equipment automation, as compared to 2019, the Group’s electricity consumption decreased by 2,317,900 kWh and our water consumption decreased by 35,393 m³ in 2020. In accordance with the “National Standardized General Principles for Calculation of Comprehensive Energy Consumption: GB2589-90”《(綜合能耗計算通則 GB2589-90)》) of the People’s Republic of China, based on the calculating standards for various types of energy, in 2020, as for emissions of CO₂, the Group’s emissions of CO₂ decreased by 8,068 tons to 11,387 tons, as compared to 17,455 tons in 2019. The Group’s emission of CO₂ from every 10,000 tons of products in 2020 decreased by 48% to 2,272 tons, as compared to 4,362 tons in 2019. The annual loss per tonne for the year 2020 was 0.23 tonne.

Usage and emission of water

In compliance with the requirements under the “Water Law of the People’s Republic of China”, as well as subject to the principles of reasonable utilization, conservation, and protection to realize sustainable utilization of water resources, the Group utilizes water resources through the water pipeline of the local municipal administration authorities. By adopting water conservation and consumption reduction, energy conservation and emission

reduction, and other measures with respect to water utilization, the Group reported water consumption of 69,737 m³ for 2020, representing a decrease of 33.67% as compared to water consumption of 105,130 m³ in 2019. In 2020, the Group's water consumption reported 1.39 t/m³, representing a decrease of 41.1% compared to 2.36 t/m³ in 2019, due to the decrease in water consumption resulting from the Group's technical innovation and the increase in waste water recycling in 2020.

A3 Environment and natural resources

In compliance with the requirements under the "Environmental Protection Law of the People's Republic of China", the Group establishes the "System for Identification, Assessment, Control and Management of Environmental Factors" to carry out a comprehensive identification and assessment of the Group's productions and services, for the purpose of controlling environmental factors that affect the environment and our investments in the environment. With the active and effective prevention and control measures adopted, the Group constantly improves our production environment, paving the way for conservation of natural resources. In 2020, no material impacts on the environment and natural resources were reported due to the Group's productions and services.

B Society

B1 Employment

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

B2 Health and Safety

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

Number of accidents at factory

Work related injuries

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

In 2020, the Group reported zero cases of work related injuries, and did not report any case of occupational diseases or work related injuries or fatality.

Employee structure

As at 31st December, 2020, the Group had a total number of 528 employees, who mainly aged from 31 to 50. Female employees accounted for 20% of the total number of employees. As highly automated production equipment for water-saving equipment requires less labour intensity, the majority of the operators are women. Talents are recruited according to the operational requirements of the Group and in compliance with labour laws and regulations, irrespective of ethnic origin, gender, age, religion, region, and nationality. Any pregnant employee of the Group is entitled to benefits during her conception and labour period, such as leave for maternity check-up, leave during pregnancy, and return to her pre-leave position with the same department after the period of maternity leave as an incentive to return to the workplace. In 2020, the Company’s return rate of employees who took maternity leave during pregnancy was 100%.

B3 Development and training

The Group cherishes every employee and believes they will keep growing up along with the Group's business expansion, provides targeted, systematic and forward-looking training for employees, and explores their potential to support the Group's sustainable development. In 2020, we provided our senior management, mid-level management, specialty technicians, and operators with various forms of in-house and external training programs. These programs mainly included: corporate strategy and corporate culture training, basic work skills training, business knowledge training, management skills & leadership training, new employee training, re-designation training, and other various special training sessions, all of which lasted more than 40 hours. As the Group develops, to ensure the constant improvement of team quality, the Group will increase training opportunities for employees and keep checking and improving training courses, with a view to satisfying the requirements for production, operations, and business expansion of the Group.

B4 Labour standards

The Group strictly abides by the relevant national laws and regulations and prohibits the employment of children under 16. An 8-hour work schedule is established. Overtime is on a voluntary basis and employees will receive overtime pay at the rate of 2 to 3 times their normal wage. Employee's overtime work shall be no more than four hours per day, and free meals and appropriate break time are provided. In order to ensure the health and safety of employees, the Group prohibits forced labour and untrained employees from performing dangerous work. In 2020, the Group did not have any cases.

Employee benefits

Comprehensive insurance coverage

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

Skill improvement

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

B5 Supply chain management

Pursuant to the “Procurement Control Procedures” formulated by the Group, the procurement department of the Group shall deliver our policies, our requirements on environmental and occupational health and safety, and our procurement control procedures to suppliers to ensure their timely understanding of the Group’s requirements on environmental and occupational health and safety, pursuant to which, these parties will be able to provide services to the Group.

B6 Product responsibility

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

In 2020, to further expand the market for distributing our products, the Group increased advertisement spending for our products, and organized our product presentations, product release conferences, training sessions on promotion and application of water-saving equipment, etc.

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

B7 Anti-corruption

The Group formulated the “Corruption and Malpractice Reporting System” to clarify anti-corruption responsibilities of the management, intensified supervision on the management team, and advocated the anti-corruption regulations and policies, and created an honest working atmosphere within the Group. With regard to financial management, the Group required its companies to follow Accounting Standards for Business Enterprises to strengthen spot check and audit on key aspects and weak aspects in business operations, improve asset quality and prevent financial risks. In 2020, no corruption case was seen in the Group. Along with the business development, the Group will further improve anti-corruption systems, and continuously intensify supervision so as to provide strong guarantee for the Group’s sustainable development.

B8 Community Investments

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

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

ESG Indicator	Description	Section	Page
Environmental			
A1 Emissions			
General Disclosure	<p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p>	Environment	5
A2 Use of Resources			
General Disclosure	<p>Policies on the efficient use of resources, including energy, water and other raw materials.</p>	Environment	6
Social			
B1 Employment			
General Disclosure	<p>General Disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	Society	7

ESG Indicator	Description	Section	Page
B2 Health and Safety			
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	Society	8
B3 Development and Training			
General Disclosure	<p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p>	Society	9
B4 Labour standards			
General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to preventing child and forced labour.</p>	Society	9
B5 Supply Chain Management			
General Disclosure	<p>Policies on managing environmental and social risks of the supply chain. The Group has formulated "Suppliers/Distributors Social Responsibilities Control Procedure" to monitor a wide range of aspects of the suppliers, from product and service quality to business ethical standards.</p>	Society	10

ESG Indicator	Description	Section	Page
B6 Product Responsibility			
General Disclosure	<p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	Society	10
B7 Anti-corruption			
General Disclosure	<p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to bribery, extortion, fraud and money laundering.</p>	Society	11
B8 Community Investment			
General Disclosure	<p>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.</p>	Society	11