



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

2018

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT





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REPORTING PERIOD AND SCOPE

The reporting period for this report is from 1 January 2018 to 31 December 2018 (the “Reporting Period”). Unless otherwise stated, this report covers the production factory in Huizhou City, Guangdong Province. Since other business units exert immaterial environmental and social impacts, these units are not included in the scope of this report.

REPORTING THEME

“Decades of dedicated endeavours, the present prosperous accomplishment” is the theme of this report. The Group has focused on the power supply field for years, striving for excellence and dedicating for the environment and society. Meanwhile, the Group conducted materiality assessment, supplemented by ongoing and intermittent engagement to a wide swathe of stakeholders, for the sake of defining the material aspects of this report. Among various material aspects, the reporting framework is constituted by four major directions, namely, product quality, talent development, environmental protection and energy conservation, as well as social welfare.

Laying a Solid Foundation, Developing through Accumulated Resources

The Group’s research and development of electronic products adheres to the attitude of dedication, and the Group implements stringent testing procedures in the production process to ensure that the quality of the products not only meets the international standards, but also satisfies safety concerns of the customers.

Unleashing Full Potentials of Talents, Nurturing and Fostering Improvements

As the most important resource for enterprises, employees are the source of power for promoting the Group’s development. Through standardized employment procedures, the Group adheres to the principle of fairness and justice and employs suitable employees. The Group understands that talents will foster business development of the Group, therefore the Group is committed to providing regular training and diversified development opportunities for its employees.

Green Development, Energy Conservation and Emission Reduction

The Group’s business is inextricably linked to the use of energy. Therefore, the Group has achieved energy conservation and water saving through rectification of its operations and production models. In addition, the Group is closely following the national environmental protection laws and policies to achieve green development.

Caring Community, Helping Elderly and Providing Education Sponsorship

Supporting social development and enthusiastically participating in public welfare activities are precious traditions of the Group. As the Group is one of the society elements, the Group advocates respect for the elderly, provides education sponsorship and encourages employees to take part in social welfare activities.

LAYING A SOLID FOUNDATION, DEVELOPING THROUGH ACCUMULATED RESOURCES

As a developer and manufacturer of electronic products, the Group manufactures and develops by embracing values of striving for excellence by quality, developing by quality and promoting efficiency by quality, as well as emphasizes suppliers’ performances. In the meantime, as the Group has been developing for decades, anti-corruption is the cornerstone of long-term and sustainable development.

Evaluating Suppliers, Selecting Quality Materials

The Group implements stringent management measures in the selection process of suppliers to ensure the quality of the products. In the process, the Group has developed a supplier management program with detailed requirements with respect to supplier selection, capability investigation and evaluation, supplier management and regular assessment.

For product development, the material approval process is strictly implemented by various departments, including the group R&D headquarter, various R&D departments, standardization center, strategic procurement center, and quality center to ensure that the material quality of the product is stable and the material could meet relevant standards.

The Group has set up a supplier management system that requires strategic procurement personnel to conduct detailed assessments and reviews when selecting suppliers. It has established an honest, efficient and fair supplier mechanism. It is the Group's policy to review suppliers regarding the presence of ISO 14001 certification. Through the procurement process, the Group selects the appropriate suppliers for material procurement, cooperates with the internal quality management center, and internal staff evaluation to ensure the quality of the suppliers is in good condition.

In the management process, the risk control of the Group suppliers is also critical. According to the "Supplier Quality Risk Assessment Standards", the quality risk level of suppliers is regularly classified into four levels from low to high, and corresponding preventive measures are taken to ensure the quality and stability of the product.

Stringent Quality Control, Technology Research and Innovation Advancement

The Group considers the impact and quality of the product on the environment as a vital consideration. The Group has established a management system and obtained ISO9001:2015 related certification to ensure it meets safety and environmental requirements. In the production and development process, it has successfully obtained a number of domestic and international certifications, such as CCC, UL, FCC, CB, GS, CE (EMC/LVD), SAA (RCM), PSE, KC, BSMI, BIS and other certificates.

The Group provides quality products and services to customers by adhering to the principles about focusing on quality and executing quality standards strictly. The Group has a 100% load test system ("burn-in") before shipment to ensure quality meets the requirements. The Group has setup a national-level accredited laboratory, where laboratories with this level of competency are only owned by a handful number of electricity enterprises in Guangdong Province. The Group's laboratory is accredited by China National Accreditation Service for Conformity Assessment (CNAS) ISO/IEC 17025, as well as obtains qualifications regarding Customers' Testing Facilities (CTF), Client Test Data Program (CTDP) and Testing at Manufacturers Premises (TMP) that are authorized by internationally renowned institutions such as TUV Rheinland, UL, Intertek, SGS and DEKRA and the qualification of USA California CEC energy efficiency laboratory. The Group's laboratory is equipped with around three hundred sets of various testing instruments and equipment, which can swiftly provide customers with professional testing services such as safety certification, reliability, electromagnetic compatibility EMC, material analysis, fire retardant and water resistance, electrical noise, environmental directive RoHS and so on, for sake of offering quality products and services to customers.

Technology innovation is the prime force of productivity. In order to improve productivity and market competitiveness, the Group applied for seventeen patents for the products during the reporting period in 2018, including intelligent anti-leakage charging cabinet system, intelligent aroma device, and single-stage inverter circuit and so on.

During the reporting period, the Group has complied with the all relevant laws and regulations that have a significant impact on the Group regarding customer health and safety, advertising, labeling, and protection of data privacy. The Group has set up the policy and relevant procedures in relation to product's safety review, patents' application and customers' data handling.

Promoting Integrity, Eradicating Bribery

In order to eradicate the possibility of corruption, the Group implemented the supplier's integrity cooperation convention system. The obligations and responsibilities of both the Group and its suppliers should be set to eliminate lavish feast, rebate, gift and so on when procuring raw materials and services. In the process of selecting sustainable suppliers, both parties need to sign an agreement to agree to conducting trade fairly. During the Reporting Period, the Group has complied with all relevant laws and regulations which have a significant impact on the Group regarding bribery, extortion, fraud and money laundering.

UNLEASHING FULL POTENTIALS OF TALENTS, NURTURING AND FOSTERING IMPROVEMENTS

Employees are critical elements of the Group's development. The Group employs appropriate candidates in an open and fair way according to job requirements, and provides regular training for employees as well as development opportunities. The Group also cares the health and safety of its employees, and has obtained certification for occupational health and safety management system. At the same time, the Group attaches great importance to nurture employees' spirit and culture, and integrate corporate culture into their lives.

Employee Recruitment

With the principle of "open recruitment and talent selection", the Group selects suitable candidates according to the required qualifications, knowledge and skill of the position so that human resources could be allocated to the Group's various departments. The process strictly abides by national laws and regulations. The Group has devised an anti-discrimination policy that is fair and equitable for employees in terms of admission, salary, welfare, training opportunities, work arrangements and dismissal. The Group also provides avenue to offer assistance to employee resolving grievance issues like unfair working and their rights being undermining in order to build a fair and justice working environment.

The Group is committed to prohibiting the recruitment of child labour and forced labour by any departments, and does not tolerate the use of child labour and forced labour by suppliers. The Group has set up policy to prevent child labour, for example, through identity card checking during the recruitment process. During the reporting period, the Group complied with relevant laws and regulations regarding remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, benefits and welfares, and prevention of child labour and forced labour that have a significant impact on the Group.

Employee Welfares

The Group provides welfares to employees to motivate employees, letting the employees to experience the spirit about job dedication and perseverance, as well as the family culture, to enhance corporate cohesion and productivity, and provide benefits such as meal allowance, married quarters, subsidies to mobile phone charge, and so on. The Group also provides statutory paid leaves, such as marriage leave, maternity leave and breastfeeding leave pursuant to local laws and regulations. Moreover, the Group has prohibited overtime work under statutory holidays. In the corporate living area, the Group provides gym room, medical room, library and computer training room. During the reporting period, the Group held two cultural events on average every month, enriching the lives of employees with wonderful activities. In addition, the Group sets up the "Sunshine Project" and the "Care Fund" to provide counselling and assistance to employees with difficulties.

Development and Training

The Group regards employees as the cornerstone of sustainable development and gives employees the opportunity to realize their potential. The Group provides a wide range of training programs to enhance the professional skills and productivity of employees, while promoting the sustainable development of employees and the company. Employees are required to attend specific minimum number of training hours. During the reporting period, the Group organized more than 2,000 hours of training, and each employee received professional skills training and management knowledge enhancement every month. At the same time, the Group has developed a training system process based on the needs of employees so as to improve their skills and performances, for instance, sales etiquette course for the Sales Department and the course about equipment maintenance procedure for the Automation Engineering Department, targeting the improvement of the employees' job skills. Apart from raising employees' knowledge and techniques, this fosters the Group's business development, management as well as production research and development.

Occupational Health and Safety

The Group is committed to protecting the health and safety of employees during the production and operation. During the Reporting Period, the Group strictly abides by the Production Safety Law of the People's Republic of China and applicable laws and regulations pertaining occupational health and safety, as well as establishes an occupational health and safety management system. During the reporting period, the Group's production and R&D base, situated in Huizhou, Guangdong Province, obtained the BS OHSAS 18001:2007 Occupational Health and Safety Management System Certification. Relevant safety production training was organized every quarter, involving case sharing about manufacturing, traffic safety, first aid, and hazardous chemicals and so on. In April 2018, fire instructors were invited to conduct on-site training about fire safety and first aid. The Group rigorously carries out daily safety inspections, weekly inspections for the safety of production line, and fire service equipment inspections.

During the reporting period, the Group appointed professional laboratories to conduct analysis for the drinking water, in accordance with "Standards for Drinking Water Quality" GB5749-2006. In addition, in accordance with the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, "Provisions on the Supervision and Administration of Occupational Health at Work Sites and Regulations for the Periodical Inspection" and "Management of Occupational Disease Hazards in Employers", the Group appointed professional organizations to analyze and test the chemicals in use, workplace noise, dust, temperature and protection equipment during the production process. Improvement works have been carried out to protect employees' occupational health. Through a series of risk identification and evaluation results, the Group has devised a management plan to enhance employees' safety awareness in order to continuously improve the health and safety performance.

GREEN DEVELOPMENT, ENERGY SAVING AND EMISSION REDUCTION

Environmental Policy

The Group enhances measures in relation to environmental protection and pollution prevention in various production and operation activities. Based on the environmental management system ISO14001:2015, the Group establishes the management system and formulates policies regarding environmental protection. The Group's environmental policies mainly include energy conservation plan formulation and target setting, quantification and monitoring of emission projects, active use of renewable energy and requirement all employees to obey relevant policies and measures to achieve the goal of energy conservation and emission reduction.

Resource Use

In order to maintain the effectiveness of executing the environmental management system, the internal audit team which is established by the Group actively conducts environmental operation monitoring and checking for those parts that do not require external monitoring on an irregular basis. The Group monitors key features of activities that may cause significant environmental impacts and develops an annual plan to ameliorate the environmental pollution.

One of the significant environmental impacts of the Group's activities is the use of energy. Since 2013, the Group has built solar energy system which has been placed in the rooftops of the production building and the idle outdoor area at the Huizhou production base, thereby making use of the renewable energy.

Energy Performance Figures

Grid Power Consumption (MWh)	37,893
Electricity Generated by Solar Panels (MWh)	1,202
Fuel Consumption (MWh)	525
Total Energy Consumption (MWh)	39,620
Energy Consumption Intensity (MWh/million revenue)	12.4

The Group's water consumption is mainly for household use, and the local municipal government provides potable water. The Group has no issue in sourcing water that is fit for purpose. In 2018, the Group formulated the "Water Management System" aiming at regulating water management, meeting the needs from the production and living, as well as ascertaining drinking water safety and water supply for the production. The Group adopted manual cleaning for the solar panels, replacing automatic water spray, resulting in a saving about 315 cubic meters of water. During the reporting period, the Group's water use figure is listed out as follows:

Water Consumption (thousand m ³)	437
Water Consumption Intensity (thousand m ³ /million revenue)	0.14

The Group is dedicated to save natural resources, reduce energy and water use. During the reporting period, the Group examined the daily operation procedures, implemented modification for air conditioning cooling tower through installing temperature control on the cooling fan and variable frequency drive on the chilled water pump, reducing the running time, which saved 73,000 kWh of electricity and 1,920 m³ of water. Furthermore, the Group has introduced energy-saving electric heating coils, with estimated annual electricity saving of 78,000 kWh of electricity, and computer-monitored power supply burn-in testing systems for saving electricity.

Air Emissions and Greenhouse Gas Emissions

Air pollution and greenhouse gases have attracted attention from all walks of life. Therefore, the Group has adopted corresponding emission reduction measures. The exhaust gas is filtered before discharging, and activated carbon filter equipment is installed at the discharge outlet to meet prescribed emission standards and control environmental pollution. During the Reporting Period, the Group has complied with all relevant laws and regulations which have a significant impact on the Group regarding air emissions and greenhouse gas emissions.

Among the combustion emissions, the emissions were mainly from vehicles and generator sets. Based on the Group's fuel consumption records and mileage records, as well as the harmful gas emission factors involved in fuel type and combustion equipment, the air emissions of the Group during the Reporting Period are listed out as below:

Air Emissions

Nitrogen Oxide Emissions (kg)	48.2
Sulfur Oxide Emissions (kg)	0.7
Suspended Particulate Emissions (kg)	28.9

The Group's greenhouse gas emissions mainly came from direct electricity consumption (Scope 2), while fuel combustion also caused greenhouse gas emissions. The greenhouse gas emissions of the Group during the Reporting Period are shown as follows:

Greenhouse Gas Emissions

Greenhouse Gas Emissions (Scope 1) (tonne of CO ₂ e)	831
Greenhouse Gas Emissions (Scope 2) (tonne of CO ₂ e)	19,973
Greenhouse Gas Emissions (Scope 1 and Scope 2) (tonne of CO ₂ e)	20,804
Greenhouse Gas Emission Intensity (Scope 1 and Scope 2) (tonne of CO ₂ e/million revenue)	6.50

Through the above-mentioned cooling tower modification and energy-saving electric heating coils, greenhouse gas emissions have been reduced as well. During the reporting period, the Group's greenhouse gas emission has been reduced by 38.48 tonne of CO₂e.

Waste Management

The Group classifies the waste generated in the production process according to the plan of waste disposal process, and transfers the recyclable waste to recyclers. Hazardous waste is produced during the production process. Hazardous waste was handled by the qualified organization. During the reporting period, the Group has implemented waste reduction initiatives to encourage the recycling of non-hazardous waste. The waste figures during the reporting period are shown as follows:

Total Hazardous Waste Produced (tonne)	932.5
Intensity of Hazardous Waste Produced (tonne/million revenue)	0.29
Electronic Equipment Waste (kg)	538
Total Non-Hazardous Waste Produced (tonne)	793.1
Intensity of Non-Hazardous Waste Produced (tonne/million revenue)	0.25
Recycling Amount of Non-Hazardous Waste (tonne)	782.9

During the Reporting Period, the Group has complied with all relevant laws and regulations which have a significant impact on the Group regarding generation of hazardous and non-hazardous waste.

Packaging Materials

Paper and plastic, as the main raw materials, were used for packing products, with figures used by the Group during the Reporting Period shown as below.

Total Packaging Materials (tonne)	2,568.34
Paper (tonne)	2,123.46
Plastic (tonne)	444.88

CARING COMMUNITY, HELPING ELDERLY AND PROVIDING EDUCATION SPONSORSHIP

The directions of the Group’s community activities and donations focus on caring for the elderly and providing education sponsorship. The Group has conducted more than a dozen charitable donations in Hong Kong and Macau, including donations to Hong Kong Baptist University and Yan Oi Tong. In Huizhou, there have also been a number of charitable activities, such as charity donations to Shuikou Senior Care Home and Hong Kong-Huizhou Care Fund.

Focusing on the activities of youth and senior citizen, the Group provided Children’s Day sponsorship funds to Luotang Primary School and Qingbian Primary School in June 2018, and offered Chung Yeung Festival sponsorship funds to the Hubin Community of Shuikou Street Community. More than twenty employees actively participated in the community activities with the elderly.

Community activities are inseparable from the support of employees. The Group encourages employees to participate in charity activities, not only give donations from the Group, but also start from the heart and connect with the communities in which the Group operates to understand their needs. During the reporting period, the Huizhou factory organized or participated in more than a dozen charity activities, with a total of 213 participants spending 2 to 8 hours unequally.