

2020

Environmental, Social and Governance Report

環境、社會及管治報告



天臣控股有限公司
Tesson Holdings Limited

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code 股份代號 : 1201



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ABOUT THIS REPORT

Tesson Holdings Limited (the “**Company**”), together with its subsidiaries (the “**Group**”), is pleased to present this Environmental, Social and Governance Report (the “**Report**”) to provide an overview of the Group’s management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects. This Report is prepared by the Group with the professional assistance of APAC Compliance Consultancy and Internal Control Services Limited.

Preparation Basis and Scope

This Report is prepared in accordance with Appendix 27 to the rules governing the listing of securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) – “Environmental, Social and Governance Reporting Guide” and has complied with “comply or explain” provision in the Listing Rules.

This Report summarises the performance of the Group in respect of corporate environmental and social responsibility, covering its operating activities which are considered as material by the Group – (i) the manufacturing and sales of lithium ion motive battery, lithium ion battery module, battery charging devices, battery materials machines and production lines, new energy solution and sales of relevant equipment, investment holding and import and export trading (the “**Lithium Ion Motive Battery Business**”); and (ii) property development business, as well as the cultural industry related business, including large-scale event production and themed museums, and architectural design and engineering (the “**Property and Cultural Business**”) in the People’s Republic of China (the “**PRC**”).

With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken initiative to formulate policies, record relevant data, implement and monitor measures. This Report shall be published both in Chinese and English on the website of Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

Reporting Period

This Report demonstrates our sustainability initiatives during the reporting period from 1 January 2020 to 31 December 2020.

Contact Information

The Group welcomes your feedback on the Report for our sustainability initiatives. Please contact us by email to info@tessonholdings.com.

INTRODUCTION

With new energy vehicles becoming more popular and vigorous promotion carried by the government of the PRC, vehicles with energy conservation, environmentally-friendly, low carbon emission and zero pollution features will become the mainstream in future. Lithium ion motive battery, the “heart” of new energy vehicles, will embrace infinite development opportunities. The Group has started the investment in Lithium Ion Motive Battery Business since 2016. We believe that the Lithium Ion Motive Battery Business will be our highlight in future, generating profit for the Group and our shareholders.

During the year, the Group set its feet in cultural industry related business, including large-scale event production and themed museums, architectural design and engineering, and property development business in order to cope with the demand from production bases and talent housing, and achieve synergy effects.

The Group has a very clear strategy for its business development. Meanwhile, the Group acknowledges the importance of sustainable business practices to achieve business excellence and enhance long-term competitiveness. The Group is committed to operating in a responsible manner for the environment and community. Various policies and procedures have established to manage and monitor the risks related to the environment, employment, operating practices and community. Details of the management approaches to sustainable development of different areas are illustrated in this Report.

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group understands the success of the Group's business depends on the support from its key stakeholders, who (a) have invested or will invest in the Group; (b) have the ability to influence the outcomes within the Group; and (c) are interested in or affected by or have the potential to be affected by the impact of the Group's activities, products, services and relationships. It allows the Group to understand risks and opportunities. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group's roles and duties, strategic plan and business initiatives. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

The Group acknowledges the importance of intelligence gained from the stakeholders' insights, inquiries and continuous interest in the Group's business activities. The Group has identified key stakeholders that are important to our business and established various channels for communication. The following table provides an overview of the Group's key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

Stakeholders	Expectations	Engagement channels
Government	<ul style="list-style-type: none">• Compliance with the applicable laws• Proper tax payment• Promote regional economic development and employment	<ul style="list-style-type: none">• On-site inspections and checks• Research and discussion through work conferences, work reports preparation and submission for approval• Annual and interim reports• Website
Shareholders and Investors	<ul style="list-style-type: none">• Low risk portfolio• Return on the investment• Information disclosure and transparency• Protection of interests and fair treatment of shareholders	<ul style="list-style-type: none">• Annual general meeting and other shareholder meetings• Annual report and announcements• Newsletters• Meeting with investors and analysts
Employees	<ul style="list-style-type: none">• Safeguard the rights and interests of employees• Working environment• Career development opportunities• Self-actualization• Health and safety	<ul style="list-style-type: none">• Conferences• Training, seminars and briefing sessions• Cultural and sport activities• Newsletters• Intranet and emails
Customers	<ul style="list-style-type: none">• Safe and high-quality products• Stable relationship• Information transparency• Integrity• Business ethics	<ul style="list-style-type: none">• Website, brochures and annual reports• Email and customer service hotline• Feedback forms• Regular meeting

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholders	Expectations	Engagement channels
Suppliers/Partners	<ul style="list-style-type: none">• Long-term partnership• Honest cooperation• Fair and open• Information resources sharing• Risk reduction	<ul style="list-style-type: none">• Business meetings, supplier conferences, phone calls and interviews• Regular meeting• Review and assessment• Tendering process
Peers/Industry Associations	<ul style="list-style-type: none">• Experience sharing• Cooperation• Fair competition	<ul style="list-style-type: none">• Industry conferences• Site visit
Financial Institutions	<ul style="list-style-type: none">• Compliance with the applicable law and regulations• Information disclosure	<ul style="list-style-type: none">• Consulting• Information disclosure• Reports
Public and Communities	<ul style="list-style-type: none">• Community involvement• Social responsibilities	<ul style="list-style-type: none">• Volunteering• Charity and social investment• Annual reports

In response to the expectations of the stakeholders, we have implemented measures as follows:

1. GOVERNMENT

- Operated, managed and paid taxes in accordance with the relevant laws and regulations.
- Strengthened safety management.
- Accepted the government's supervision, inspection and evaluation (e.g. accepted 3 onsite inspections throughout the year).
- Actively undertook social responsibilities.

2. SHAREHOLDERS AND INVESTORS

- Issued notices of general meeting and proposed resolutions according to regulations.
- Disclosed company's information by publishing announcements/circulars and periodic reports.
- Carried out different forms of investor activities with an aim to improve investors' recognition.
- Disclosed company contact details on website and in reports to ensure all communication channels are available and effective.

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

3. EMPLOYEES

- Provided a healthy and safe working environment.
- Developed a fair mechanism for promotion.
- Established labour unions at all levels to provide communication platforms for employees.
- Cared for employees by organising different employee activities and providing welfares.

4. CUSTOMERS

- Organized marketing events and seminars.
- Invited customers to visit the factory.

5. SUPPLIERS/PARTNERS

- Invited tenders publicly to select best suppliers and contractors.
- Performed contracts according to agreements.
- Enhanced daily communication and established long-term cooperation with quality suppliers and contractors.

6. PEERS/INDUSTRY ASSOCIATIONS

- Cooperated with peers to realize win-win result.
- Attended seminars to share experience so as to promote sustainable development of the industry.

7. FINANCIAL INSTITUTIONS

- Complied with regulatory requirements in a strict manner.
- Disclosed and reported true information in a timely and accurate manner in accordance with laws.

8. PUBLIC AND COMMUNITIES

- Gave priority to local people seeking jobs from the Company so as to promote community building and development.
- Provided volunteer services and kept communication channels open between the Company and the communities.

Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group has adopted the principle of materiality in the environmental, social and governance (the “**ESG**”) reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (the “**KPIs**”) are reported in the Report according to recommendations of the ESG Reporting Guide (Appendix 27 of the Listing Rules) and the Global Reporting Initiative (the “**GRI**”) Guidelines.

The Group has evaluated the materiality and importance in ESG aspects through the following steps:

Step 1: Identification – Industry Benchmarking

- Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.
- The materiality of each ESG area was determined based on the importance of each ESG area to the Group through internal discussion of the management and the recommendation of ESG Reporting Guide (Appendix 27 of the Listing Rules).

Step 2: Prioritisation – Stakeholder Engagement

- The Group discussed with key stakeholders on key ESG areas identified above to ensure all the key aspects were covered.

Step 3: Validation – Determining Material Issues

- Based on the discussion with key stakeholders and internal discussion among the management, the Group’s management ensured that all the key and material ESG areas, which were important to the business development, were reported and in compliance with ESG Reporting Guide.

As a result of this process carried out in 2020, those important ESG areas to the Group were discussed in this Report.

A. ENVIRONMENTAL ASPECTS

A1. EMISSIONS

As a manufacturer of lithium ion motive battery, the Group recognises that it has obligation to reduce the impact of its business operation on the environment. The Group is committed to continuously improving the long-term environmental sustainability. The Group has established a set of environmental management system to closely monitor all the emissions and discharges, including air pollutants, solid wastes and wastewater, etc. Our environmental management system for the manufacturing and sales of lithium ion motive battery meets regulatory requirements and has ISO 14001:2004 environmental management system accreditation. Besides, Tesson New Energy (Weinan) Limited¹ one of our subsidiaries, was honored to be selected as the first batch of green factory demonstration company (綠色工廠示範企業) in 2017. This was a strong recognition to our environmental management.

The Group's operations are subject to various PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities on environmental protection. The PRC government has taken an increasingly stringent stance on the adoption and enforcement of environmental laws and regulations. The Group has incorporated the concept of green production throughout the entire production process to ensure the compliance with all applicable environmental laws and regulations, including but not limited to the Environmental Protection Law of the PRC and the Water Pollution Prevention and Control Law of the PRC. During the reporting period, we had no violation record on relevant laws and regulations relating to emissions and discharges that have a significant impact on the Group.

Air Pollutant Emissions

Air pollutant emissions control is essential to mitigate the impact on the environment and to protect employees' health. Our manufacturing process can achieve "zero emission" as it is operated in a closed condition. Organic electrolytes used in the production are injected into the batteries under a closed condition. As the solvent is not very volatile and the operation is in a closed condition, our manufacturing process can be treated as "zero emission". The air pollutant emissions are required to meet the Ambient Air Quality Standards (GB 3095-2012).

¹ For identification purpose only.

A. ENVIRONMENTAL ASPECTS

The Group's air pollutants mainly come from vehicle use during the reporting period. "Vehicle Management System" is in place to oversee the vehicle use to increase vehicle efficiency. The Group chooses fuel-saving vehicles with high emission standards and carry out regular maintenance on vehicles to reduce air pollutant emissions. The decrease in air pollutant emissions in 2020 was mainly attributable to the reduced usage of petrol-consuming vehicles and commencement of electric vehicle use during the year. The air pollutant emissions of the Group during the reporting period were as follows:

Air Pollutants	Unit	Lithium Ion Motive Battery Business	Property and Cultural Business	2020 Total	2019 Total
Nitrogen oxides (NO _x)	kg	1.93	2.49	4.42	19.07
Sulfur dioxide (SO ₂)	kg	1.18	0.72	1.90	3.21
Particulate matter (PM)	kg	0.64	0.55	1.19	3.23

Greenhouse Gas ("GHG") Emissions

The Group is committed to mitigating the effects of climate change. GHG is considered as one of the major contributors to climate change. As the majority of the GHG emissions of the Group comes from energy consumption, the Group reduces the GHG emissions by reducing the energy consumption in business operation. The Group has adopted energy saving policy (as mentioned in the section "Use of Resources") in order to reduce carbon footprint.

A. ENVIRONMENTAL ASPECTS

The Group's Lithium Ion Motive Battery Business produces lithium ion motive battery which can replace conventional vehicles that use fossil fuels with new energy vehicles. Our business can indirectly help to reduce GHG emissions from conventional vehicles for environmental protection. The decrease in GHG scope 1 emissions in 2020 was mainly due to the reduced usage of petrol-consuming vehicles and commencement of electric vehicle use during the year. The increase in GHG scope 2 emissions in 2020 was mainly attributable to the increase in the revenue generated from Lithium Ion Motive Battery Business during the year.

The GHG emissions of the Group during the reporting period were as follows:

GHG Emissions	Unit	Lithium Ion Motive Battery Business	Property and Cultural Business	2020 Total	2019 Total
Scope 1 ²	tonnes of CO ₂ -e	34.93	22.91	57.84	113.79
Scope 2 ³	tonnes of CO ₂ -e	17,647.41	106.62	17,754.03	9,415.36 ⁴
Total GHG emission	tonnes of CO ₂ -e	17,682.34	129.53	17,811.87	9,529.15 ⁴
GHG emission intensity	tonnes of CO ₂ -e/ thousands of production unit	0.89			Battery: 1.23 ⁴
	tonnes of CO ₂ -e/m ²		1.28		Cultural: 0.08 ⁴

Waste Management

Wastes generated are classified and handled with care to mitigate the environmental impact. According to "Waste Management Procedure", wastes are categorised into hazardous waste, non-recyclable waste and recyclable waste by the Group. Each type of waste has specific handling procedure.

For hazardous waste, it is identified according to "National Hazardous Wastes List". Hazardous waste produced by the Group may involve electrolyte and waste oil, etc. Specific and labelled containers are in place for hazardous waste collection. The Group has engaged a qualified waste collector to handle and collect the hazardous waste produced so as to minimise the environmental impact. During the reporting period, the Group had no significant hazardous waste generation.

² Scope 1: Direct emission from sources that are owned or controlled by the Group.

³ Scope 2: Indirect emissions from the purchased electricity and steam consumed by the Group.

⁴ The 2019 data has been restated as the latest emission model was adopted.

A. ENVIRONMENTAL ASPECTS

There are two major types of non-hazardous waste involved in the Group's operation – general waste and N-Methyl-2 – pyrrolidone (the “**NMP**”). We strive to reduce non-hazardous waste at source and recycle the waste as much as possible. For general waste, it is handled by a cleaning company. For NMP, it is used as a solvent for electrode parathion in our lithium ion motive battery manufacturing process. During the reporting period, the recycling rate of NMP is 98.5%. This can reduce our annual consumption of NMP so as to save cost and eliminate waste generation. The decrease in non-hazardous waste in 2020 was mainly attributable to effective implementation of waste management policies during the year. During the reporting period, the wastes generated by the Group were as follows:

Waste	Unit	Lithium Ion Motive Battery Business	Property and Cultural Business	2020 Total	2019 Total
Non-hazardous waste generated	tonnes	12.16	N/A ⁵	12.16	12.49 ⁶
Non-hazardous waste generated intensity	tonnes/employee	0.03	N/A ⁵		Battery: 0.03 ⁶ Cultural: N/A ⁵
Non-hazardous waste recycled	tonnes	12.00	N/A ⁵	12.00	12.30
Non-hazardous waste recycled intensity	tonnes/thousands of production unit	0.0006	N/A ⁵		Battery: 0.0017 Cultural: N/A ⁵

⁵ The weight data for non-hazardous wastes generated and recycled was not available for year 2019.

⁶ The 2019 data has been restated for comparative purpose.

A. ENVIRONMENTAL ASPECTS

A2. USE OF RESOURCES

The Group places a great emphasis on environmental protection to ensure efficient use of resources, including energy, water and other materials. The Group has established “Green Factory Implementation Plan” to achieve environmental protection and sustainable development.

The Group aims to promote resources saving by carrying out different educational programmes to increase employees’ awareness. Resources usage is also monitored and recorded for formulating resources efficiency initiatives.

Energy Consumption

The Group’s energy consumption mainly comes from the purchased electricity and steam. For energy conservation, we have implemented various energy-saving strategies. For example, unnecessary electrical appliances are switched off when they are not in use. We choose to use energy-saving equipment for manufacturing activities and reduce obsolete equipment with high-energy consumption. Regular maintenance on all electrical appliances is carried out to reduce energy consumption. The increase in the total energy consumption in 2020 was mainly attributable to the increase in the revenue generated from Lithium Ion Motive Battery Business during the year. During the reporting period, the consumption of energy from our operation was summarised as follows:

Energy consumption	Unit	Lithium Ion Motive Battery Business	Property and Cultural Business	2020 Total	2019 Total
Purchased electricity	MWh	9,915.33	125.73	10,041.06	7,601.15
Petrol	MWh	141.95	91.68	233.63	444.84
Steam	MWh	18,304.54	–	18,304.54	4,195.72
Total energy consumption	MWh	28,361.82	217.41	28,579.23	12,241.71
Energy consumption intensity	MWh/thousands of production unit	1.42			Battery: 1.59
	MWh/area in m ²		0.05		Cultural: 0.08

A. ENVIRONMENTAL ASPECTS

Water Consumption

For water consumption, it is an important natural resource. In our daily business operation, we check water pipes regularly to identify any cracks or leakage. They are fixed promptly to prevent water wastage. Besides, water-saving devices are installed to restrict the water flow and conserve water. Owing to the effective implementation of water saving strategies by the Group, the water consumption decreased in 2020. During the reporting period, the consumption of water from our operation was summarised as follows:

Water consumption	Unit	Lithium Ion Motive Battery Business	Property and Cultural Business	2020 Total	2019 Total
Total water consumption	m ³	29,936	1,391	31,327	45,423
Water consumption intensity	m ³ /thousands of production unit	1.50			Battery: 5.41
	m ³ /area in m ²		0.45		Cultural: 1.72

Packaging Materials

For other materials consumption, our Lithium Ion Motive Battery Business involves the use of paper box and plastic wrap as the packaging materials for finished products. The increase in packaging material consumption in 2020 was mainly attributable to the increase in the revenue generated from Lithium Ion Motive Battery Business during the year.

During the reporting period, the consumption of packaging materials from our operation was summarised as follows:

Packaging material consumption	Unit	Lithium Ion Motive Battery Business	Property and Cultural Business	2020 Total	2019 Total
Paper box	tonnes	27.36	–	27.36	17.30
Plastic wrap	tonnes	10.71	–	10.71	–
Total packaging material consumption	tonnes	38.07	–	38.07	17.30
Packaging material intensity	tonnes/thousands of production unit	0.0019	–		Battery: 0.0023 Cultural: –

A. ENVIRONMENTAL ASPECTS

Others

Furthermore, retrofit projects have been carried out in our battery manufacturing sites in order to reduce energy and water consumption, as well as increasing the production efficiency. For example, inverter compressor (變頻節能空壓機) equipped with a pneumatic motor (air motor) is used to compress nitrogen gas in order to increase the production per unit time.

The following table provides an overview of the results achieved from retrofit projects on other machineries in different manufacturing processes.

Battery Manufacturing Process	Machinery	Achievement
General Process	Vacuum-pumped Water Cooling System	Reduce water consumption and maintenance cost by recirculating cooling water instead of using freshwater source
General Process	Dehumidification Drying System	Reduce energy consumption by reusing waste heat energy
Paste Mixing	Paste Mixing Machine	Reduce electricity consumption by reducing the mixing time from 10 hours to 4 hours
Paste Mixing	Water Tower	Reduce freshwater consumption by reusing cooling water
Assembly and Filling	Stove	Reduce the battery drying time from 36 hours to 12 hours
Capacity Formation and Grading	Capacity Formation and Grading Machine	60%-70% of the electrical energy discharged from batteries is collected and used for recharging batteries next time

A. ENVIRONMENTAL ASPECTS

A3. THE ENVIRONMENT AND NATURAL RESOURCES

To fulfil our environmental responsibility and to minimise our significant impact on the environment and natural resources, the Group has implemented “Environmental Factors Identification and Evaluation Management Procedure”. The procedure provides guidelines for us to identify all possible impacts on the environment during our battery operation, production and delivery of finished products. It also provides a basis for managing environmental risks.

For Property and Cultural Business operation, it does not have significant impact on the environment as all the construction works of the property development projects are subcontracted to construction contractors.

In addition, regular testing on air pollutants emission, noise emission and wastewater discharge, etc. is carried out regularly by qualified environmental testing company to ensure all the emissions and discharge comply with relevant national standards. Based on the testing result, the Group can set environmental target, indicator and management plan to control and minimise the impacts on the environment.

B. SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

B1. EMPLOYMENT

The Group considers employees as the key to success and continues to implement people-oriented policies in human resources management. These policies not only ensure the Group's compliance with relevant labour laws and regulations, but also set out the Group's standard of compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

The Group strictly complies with labour laws and regulations such as the Labour Law of the PRC. During the reporting period, no non-compliance related to employment was noted.

Equal Opportunities

The Group is committed to creating a fair and equitable workplace for employees where they are all treated equally. For example, principle of equal opportunities is applied in our recruitment system. Candidates have equal opportunity for vacancies. Both internal staff and external talents are welcome to apply for positions in the Group to promote diversity.

They are selected based on their performance, experience and skills to avoid any risk of favouritism and discrimination. The Group has zero tolerance to any discriminatory act or harassment in workplace based on gender, age, marital status, religion, race, nationality, disability, etc.

Competitive Employment Terms

The Group strives to offer employees a competitive remuneration and benefit package in order to retain and motivate high performing employees. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. The Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group, which is subject to the Group's profitability.

Benefits include staff accommodation, medical schemes, share option scheme, Mandatory Provident Fund for employees in Hong Kong and state-sponsored retirement plans for employees in the PRC.

B. SOCIAL ASPECTS

Work-life Balance

A proper balance between work and rest can help employees to realise their full potential. Therefore, the Group is dedicated to help employees to maintain a work-life balance through reasonable contractual working hours, vacation entitlements and different staff activities. Employees are entitled to statutory holidays, paid annual leave, sick leave and maternity leave, etc. to balance their work and life.

At the end of the reporting period, the employee composition (in number of staff) by gender, age group, employment category and geographical region is as follows:

Employee compositions	2020	2019
By gender		
• Male	217	215
• Female	287	278
By age group		
• Age 30 or below	180	180
• Age 31-40	234	220
• Age 41-50	72	72
• Age 51 or above	18	21
By geographical region		
• The PRC	493	482
• Hong Kong	11	11
By employment category		
• Senior management	29	41
• Middle management	57	49
• General staff	413	364
• Contract/short term staff	5	39
Total	504	493

B. SOCIAL ASPECTS

The employee turnover rates by gender, age group and geographical region during the reporting period was as follows:

Employee turnover rate	2020	2019
By gender		
• Male	18%	33%
• Female	24%	20%
By age group		
• Age 30 or below	21%	31%
• Age 31-40	24%	29%
• Age 41-50	47%	5%
• Age 51 or above	15%	15%
By geographical region		
• The PRC	22%	27%
Overall	21%	26%

B2. HEALTH AND SAFETY

Securing the health and safety of employees is one of our key priorities. We have occupational health and safety management policies and systems in place to ensure safety in workplace. Our safety management system for lithium ion motive battery manufacture meets regulatory requirements and have OHSAS 18001:2007 accreditation.

The Group strictly complies with laws and regulations relating to health and safety, such as the Production Safety Law of the PRC. During the reporting period, the Group had no material non-compliance in relation to health and safety laws and regulations.

Safety Training and Education

The Group recognises that enhancing employees' awareness and knowledge in occupational health and safety are the basis for prevention of work-related incidents. Thus, the Group has established a production safety committee to oversee production safety and organise different safety programmes for employees at all levels. For example, new employees must receive comprehensive safety trainings and pass the assessment test before performing the assigned tasks in battery production team. All employees should participate in annual emergency evacuation drill to ensure that they can take prompt and appropriate action in case of fire or other emergency situations.

B. SOCIAL ASPECTS

Safe Working Environment

The Group places a great emphasis on the safety of electrical appliances by conducting regular functional and safety checks and arranging maintenance. We only procure new production equipment from qualified suppliers and require them to provide relevant certificates. For hazardous and chemical materials, they are properly labelled for identification and stored in designated area with fire service installation and ventilation system.

Occupational Disease Prevention

The Group cares about employees' health and safety. Our employees are equipped with sufficient personal protective equipment, such as gloves, masks and work uniforms, etc. to minimise their risks of work-related injuries during production activities. All the personal protective equipment is well-maintained and regularly checked for proper performance.

During the reporting period, there were 2 (2018: 4, 2019: 3) employees injured and 26 (2018: 236, 2019: 30) lost days due to work-related injuries, while work-related fatalities were not observed. The Group will continue to improve the safety management system in order to protect employees' health and safety in workplace.

B3. DEVELOPMENT AND TRAINING

The Group recognises that the retention and development of high-potential employees can support the sustainable growth of our business. Therefore, we have implemented "Training Management System" to provide a wide range of staff training and development with the aim of cultivating professionals that will contribute to the Group's success. Internal and external trainings are offered to employees through different means, including lectures, seminars, workshops and site visits. Depending on the role, staff receive training in areas such as compliance, leadership and management, health and safety, quality management and green production. Examples of training provided to our employees during the reporting period included:

- Environmental management for employees working in battery manufacturing sites to manage the environmental risks.
- Health and safety training for employees to increase awareness and minimise work-related incidents.
- Corporate governance training for directors to update on laws, rules and regulations.

Assessment is conducted after the training for the Group to understand the training effectiveness and employees' performance. The Group's human resources department is responsible for formulating annual training plan based on the Group's strategic development and employees' needs. The plan is reviewed regularly with reference to the employees' feedback and assessment. The Group will continuously develop and improve training programmes to promote staff career advancement and enhance the Group's competitiveness.

B. SOCIAL ASPECTS

During the reporting period, the percentage of employees trained by gender and employee category was as follows:

Percentage of employee trained (%)	2020	2019 ⁷
By gender		
• Male	22%	95%
• Female	16%	90%
By employment category		
• Senior management	34%	31%
• Middle management	45%	44%
• General staff	14%	100%
Overall	18%	92%

During the reporting period, the composition of employees trained by gender and employee category is as follows:

Composition of employee trained (%)	2020	2019
By gender		
• Male	53%	47%
• Female	47%	53%
By employment category		
• Senior management	14%	3%
• Middle management	27%	6%
• General staff	59%	91%

The average training hours per employee by gender and employee category is as follows:

Average training hours (hours/employee)	2020	2019
By gender		
• Male	6	24
• Female	6	24
By employment category		
• Senior management	10	5
• Middle management	9	8
• General staff	5	31
Overall	6	24

⁷

The 2019 data has been restated for comparative purposes.

B. SOCIAL ASPECTS

B4. LABOUR STANDARDS

The Group upholds human rights and supports effective abolition of child or forced labour in its operation. According to “Recruitment Management System” of the Group, only candidates aged 18 or above are provided with equal employment opportunity. Candidates are required to provide identity proofs to human resources department for verification to avoid recruiting child labour. Besides, all work should be performed on voluntary basis and should not involve forced labour.

The Group has set up procedures to receive employees’ feedback on child or forced labour issues. When case of child or forced labour is discovered and reported, investigation will be carried out promptly to settle the case and prevent the same case from happening again. The Group strictly complies with the Labour Law of the PRC and other relevant laws and regulations. During the reporting period, none of the Group’s operations was exposed to significant risk in the use of child or forced labour.

OPERATING PRACTICES

B5. SUPPLY CHAIN MANAGEMENT

The Group depends on suppliers to provide different kinds of production materials and equipment. As part of our commitment to environmental protection, product quality and social responsibility, the Group attaches great importance to supplier management by formulating internal policies and guidelines, such as “Procurement Management System” and “Supplier Management System”.

The Group is gradually developing a set of global quality management procedures, including supplier approval process, products or components certification process, and supplier assessment process, in order to improve our current system and ensure high quality product procurement. With high quality products, this can help our research and development team to develop new technologies and materials to make our finished products more competitive.

The Group has incorporated different supply chain management practices, including supplier selection, inspection and assessment, to engage suppliers. These practices apply to all of our suppliers.

Selection Criteria

Fair and unbiased selection process is applied when choosing suppliers. We carefully select suppliers based on a list of criteria including financial status, reputation, product quality, production capacity and production facilities. On-site inspection is carried out during the selection process. We strive to work with suppliers with environmental, quality and social certifications, such as ISO 14001 environmental management and ISO 9001 quality management. Suppliers with the highest performance-to-price ratio and the best overall performance would be selected.

In addition, the Group prefers choosing local suppliers whenever possible with environmental consideration to reduce the carbon footprint attributed to transportation. This can strengthen our control of environmental risks related to supply chain management.

B. SOCIAL ASPECTS

Products or Components Inspection

Inspection on the products or components delivered by our suppliers are carried out to ensure product quality. Quality testing reports provided by our suppliers are also taken into consideration and reviewed. For products that do not meet the requirements set by us, they are returned to relevant suppliers. We require our suppliers to conduct a thorough analysis in order to improve the product quality and avoid similar case from happening again in future.

Supplier Assessment

The Group undertakes regular review on supply chain to ensure the product quality and environmental performance of suppliers meet our standards. Assessment is carried out on monthly and annual basis to evaluate the suppliers' performances on stability of supply, product quality, after-sales services and price. The Group maintains a long-term relationship with suppliers based on the results of assessment.

B6. PRODUCT RESPONSIBILITY

We place importance on the quality standard of our products to achieve sustainable growth of the Group. We always seek opportunities to improve product quality and enhance customers' satisfaction. We have established policies and procedures to manage product responsibility. In the reporting period, Group attained the following awards and recognitions which recognized our effort in achieving high product quality standard, while fulfilling our environmental and social responsibility. The details are as follows:

- 2018年陝西省科學技術獎(大容量高倍率動力型鋰電離子電池的研究及生產) – Tesson New Energy (Weinan) Limited¹
- 2018年陝西省智慧製造試點示範企業 – Tesson New Energy (Weinan) Limited¹
- 渭南高新區2018年度科技創新突出貢獻企業 – Tesson New Energy (Weinan) Limited¹
- 2018年渭南市科學技術獎(大容量高倍率動力型鋰離子電池的研究及生產) – Tesson New Energy (Weinan) Limited¹
- 2018年江蘇省國家級高新技術企業 – Tesson New Energy Research (Nanjing) Limited¹
- 2018年江蘇省工程技術研究中心 – Tesson New Energy Research (Nanjing) Limited¹
- 2018年度統計工作先進單位 – Tesson New Energy (Weinan) Limited¹

B. SOCIAL ASPECTS

The Group is in strict compliance with the Product Quality Law of the PRC, the Trademark Law of the PRC, the Law on the Protection of Consumer Rights and Interests, and other related laws and regulations. During the reporting period, the Group did not have any material violation of relevant laws and regulations in relation to the product responsibility.

Quality Control

The Group considers quality control as an important aspect of our manufacturing operations because adequate quality control can reduce defects and recalls of defective products. We have implemented a set of stringent quality control and testing procedures in accordance with different international standards to maintain product quality. Our quality control system for lithium ion motive battery manufacture meets regulatory requirements and has the following quality certifications:

- ISO 9001:2008 Quality Management System – Tesson New Energy (Weinan) Limited¹
- ISO/TS 16949:2009 Quality Management Systems – Particular requirements for the application of ISO 9001:2008 for automotive production and relevant service part organizations – Tesson New Energy (Weinan) Limited¹

The Group has established a set of internal manuals which set standards of testing the product quality in different stages of the production process.

The Group exercises control on different aspects of the lithium ion motive battery production, including quality control on raw materials from suppliers, product inspection, reliability control and production control to ensure consistent product quality. Reliability test is conducted for each batch of products to ensure compliance with safety regulations and customers' requirements. The Group's internal audit, process audit and product audit are subject to both in-house and third-party supervision to ensure that the entire quality management system operates effectively. For instance, qualified third-party testing company is engaged to conduct assessment on the battery quality on a regular basis. Different kinds of testing are carried out to evaluate the performance of the products, such as capacity test, charge and discharge test, resistance to vibration, heating and pressure.

The Group strives to develop products with high quality, high efficiency, low cost and environmentally friendly policies. Therefore, an automated production line in lithium ion motive battery production is established. The automated production line not only can reduce product costs and labour costs, but also can eliminate the occurrence of human error that may lead to product defect. Product consistency and standardisation can be maintained to ensure high product quality.

B. SOCIAL ASPECTS

Complaint Handling

The Group has implemented “Customer Complaints and Return Processing Procedures” to ensure that customers’ opinions are heard and responded in a timely manner. All complaints go through a formal process of reviews and investigations by responsible departments and customers will receive our feedback within an appropriate timeframe. Improvements will be made based on the investigation report. The Group believes that complaints are valuable opportunities to obtain feedback from our customers, so as to identify the need for improvement. During the reporting period, there were no material complaints received.

Customer Data Protection

Data is our valuable asset. “Information Security Management Procedure” and “Information Management System” are in place to manage the Group’s information security from research development to customer information. Our information security system is established under strict compliance with the relevant laws and regulations, including Administrative Measures for the Graded Protection of Information Security.

We have an Information Management Department overseeing all information security management issues to protect the Group’s data in all of our operations. Employees are provided with adequate training on managing sensitive customer and the Group’s information to strengthen their awareness of safeguarding data. During the reporting period, there was no breach of customer privacy or loss of customer data.

B7. ANTI-CORRUPTION

The Group is committed to high standard of business ethics and integrity. Our commitment to preventing any forms of corrupt practice is stipulated in the “Anti-corruption System”. Every employee is expected to act in an honest, diligent and responsible manner.

No personal gifts or other forms of advantages from any person or organisation doing business with the Group can be accepted by any employee. Our business partners are expected to follow the same standard when working with us.

The Group has established whistle-blowing channels to allow employees to report suspected cases of corrupt practice confidentially. The Group takes disciplinary actions or refers to responsible law enforcement authorities if any misconduct is found. All these practical actions not only win trust from our business partners, but also enhance the sense of belonging and fair play among employees.

The Group is in strict compliance with the Criminal Law of the PRC and other relevant laws and regulations relating to bribery, extortion, fraud and money laundering. During the reporting period, no concluded legal cases regarding corrupt practices were brought against the Group or its employees.

B. SOCIAL ASPECTS

COMMUNITY

B8. COMMUNITY INVESTMENT

The Group is committed to supporting the community by implementing related policies and measures to understand its need. Social participation and contribution are incorporated in our strategic business development. Our employees are encouraged to participate in the community activities. We believe that this not only can nurture great corporate culture and practices in the Group, but also can enhance employees' leadership, management and communication skills.

During the reporting period, the Group's social contribution mainly focused on community development, elderly caring and poverty alleviation. In future, the Group will continue to fulfil its social responsibility by supporting charity and community development.

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天臣控股有限公司

Tesson Holdings Limited

Room 401A, Empire Centre, 68 Mody Road,
Tsim Sha Tsui, Kowloon, Hong Kong

香港九龍尖沙咀麼地道68號帝國中心401A室

Tel 電話 (852) 3520 3000

Fax 傳真 (852) 3520 3181

Website 網址 www.tessonholdings.com

