



XINYI ELECTRIC STORAGE HOLDINGS LIMITED

信義儲電控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 08328



Environmental, Social and
Governance Report

2022



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ABOUT THIS REPORT

SCOPE AND REPORTING PERIOD

This report is prepared in accordance with the Environmental, Social and Governance (the “**ESG**”) Reporting Guide (the “**ESG Reporting Guide**”), Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**SEHK**”). The Environmental, Social and Governance Report (the “**ESG Report**”) published by Xinyi Electric Storage Holdings Limited (hereinafter refer to as “**Xinyi Electric Storage**” or the “**Company**”) (SEHK Stock Code: **08328**) mainly focuses on Xinyi Electric Storage’s policies and performance in its corporate social responsibilities during the period from 1 January 2022 to 31 December 2022. This ESG Report provides an overview of the sustainability strategies and social responsibilities undertaken by the Group. For details of the Group’s corporate governance matters, please refer to the annual report of the Company published on 31 March 2023.

This ESG Report is published in two languages, Chinese and English. In case of discrepancy between the two versions, the Chinese version shall prevail.

This ESG Report is available for inspection on the Company’s website (<http://www.xinyies.com>) and the SEHK website (<http://www.hkexnews.hk>).

REPORTING SCOPE

This ESG Report covers the Company and its subsidiaries (the “**Group**”), includes the principal businesses of the Group, i.e. electric storage business, engineering, procurement and construction services (the “**EPC Services**”) for photovoltaic power stations, the photovoltaic films (the “**PV Films**”), and automobile glass repair and replacement services. Among them, the environmental key performance indicators disclosed mainly cover the Group’s electric storage business, PV Films and automobile glass repair and replacement services, while other information and the social key performance indicators relates to the Company and its subsidiaries.

Since the Group outsourced most of the EPC Services to contractors, the environmental key performance indicators of the EPC Services is not included in this ESG Report. In addition, since the Group’s PV Films production line in Malaysia was still in the installation stage and production has not commenced yet during the year, its environmental key performance indicators have not been included in this ESG Report.

REPORTING PRINCIPLES

The preparation of this ESG Report followed the Reporting Principles set out in the ESG Reporting Guide. The main content of this ESG Report was organised and presented under the principles of Materiality, Quantitative, Balance and Consistency, which were applied throughout the entire reporting process.

MATERIALITY:

The Group adopted the principle of Materiality through ESG Materiality Assessment, prioritising the ESG issues and associated risks and opportunities that are of paramount importance to the Group.

QUANTITATIVE:

The Group generated a comprehensive disclosure of its environmental and social performance in a quantifiable manner. Specifically, the ESG Report covers the Group's annual emissions, use of various types of resources, number of employees, turnover rates, etc. that reflect the application of the principle of Quantitative.

BALANCE:

Adhering to the principle of Balance, the Group transparently unveiled both its achievement and rooms for improvement in ESG management through performance comparison and progress analysis.

CONSISTENCY:

Unless otherwise stated in this ESG Report, the Group utilised a consistent set of methodologies for ESG data that is coherent with its previous work.

REVIEW AND APPROVAL

The ESG Report for the year has been approved by the board of directors (the "**Board**") of the Company.

CONTACT AND INQUIRY

Your opinions on this ESG Report are highly valued by the Group. If you have any questions or suggestions regarding the contents of this ESG Report, please contact us by phone or by mail. Our contact details are as follows:

Xinyi Electric Storage Holdings Limited
Investor Relations Department
Address: 21/F, Rykadan Capital Tower
135 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong
Tel: +852 3919 2888
Fax: +852 3919 2890
E-mail: ir@xyglass.com.hk
Website: www.xinyies.com



BOARD STATEMENT

Xinyi Electric Storage expects to improve the importance of sustainable development in the enterprise. The first step is effective and comprehensive ESG governance, which lays an important cornerstone for corporate's path towards sustainable development in the future through establishment of relevant mechanism.

The Board is the highest decision-making organisation for ESG management. It is responsible for reviewing the Group's policies and risks related to ESG, defining ESG reporting scope and granting power to formulate corresponding strategies and policies to the Chief Executive Officer. To set and implement relevant targets in more detail and monitor progress, the Group has established various groups led by the Chief Executive Officer for promoting works and completing targets and then reporting to the Board, thus making sure that the Group considers ESG factors in its business operation and future development, conveying importance of ESG from top to bottom and together implementing ESG works.

In addition, the Group keeps communication with stakeholders through various channels including general meetings and questionnaires, and identifies importance of each ESG issue from various aspects. Relevant results will be reported to and reviewed by the Board. For those issues which are judged as key issues, the Board will pay close attention and establish works including determination of general direction of sustainable development and promotion methods etc. for the issues. We will continue to closely monitor the trends of sustainable development, timely update or introduce new practices and constantly increase our input into sustainable development.

This ESG Report makes detailed disclosures on Xinyi Electric Storage's ESG work content in 2022, which have been approved by the Board on 31 March 2023.

ESG GOVERNANCE AND STRATEGY



The Group recognises the importance of ESG management, hopes to bring the concept of sustainable development to the society, customers, employees, industries and other stakeholders through better ESG development, and shoulders its social responsibility.

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

The Board is the highest decision-making organisation for ESG management, consisting of two executive directors, two non-executive directors and three independent non-executive directors. Each director has different expertise and experience, and has established an audit committee, a remuneration committee and a nomination committee to be responsible for corporate governance. Meanwhile, the Board reviews the Group's ESG-related policies and risks, and delegates the power to the Chief Executive Officer to formulate strategies and policies to address them. In order to set and implement relevant goals in more detail and monitor the progress, in addition to the Management Committee, the Group has successively established Carbon Management Group and Safety Committee in recent years. The members of each organisation will be composed of relevant management and employees. In order to promote the work more efficiently, accomplish goals, and make members pay attention to the development of ESG, members of relevant organisation will be set relevant key performance indicators in appraisal coefficients to convey the importance of ESG from top to bottom. All relevant organisations are led by the Chief Executive Officer and report to the Board to ensure that the Group takes ESG-related factors into consideration in its business operations and future development, fully reviews and effectively manages ESG risks and the progress of goals, so as to participate in more targeted work including ESG materiality assessment and review of ESG annual reports.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

STAKEHOLDER ENGAGEMENT

Xinyi Electric Storage attaches great importance to the participation of stakeholders (including customers, governments, investors and employees, etc.), and actively obtains the opinions and expectations of stakeholders on the Company's ESG aspects through various channels, which serve as important references for the Company to formulate future plans and implement sustainable development.

Major stakeholders	Expectations & Concerns	Main communication channels
Customers	<ul style="list-style-type: none"> Quality products Good customer services Consumer rights protection 	<ul style="list-style-type: none"> Daily communication Questionnaire survey Visits to customers
Government	<ul style="list-style-type: none"> Compliance with applicable laws and regulations Local economic development Public welfare 	<ul style="list-style-type: none"> Daily communication Meetings Regular and random inspections
Investors/shareholders	<ul style="list-style-type: none"> Information, disclosure and transparency Future development Return on investments 	<ul style="list-style-type: none"> Information disclosure Shareholders' general meetings Investor relations activities
Employees	<ul style="list-style-type: none"> Reasonable remuneration and benefits Safe working environment Visible development opportunities 	<ul style="list-style-type: none"> Remuneration and benefit system Performance appraisal Training activities
Suppliers and business partners	<ul style="list-style-type: none"> Open and fair procurement Compliance with agreement Long-term partnership 	<ul style="list-style-type: none"> Suppliers' conferences, business meetings, phone calls and interviews Review and assessment Site visits
Local communities/ environment	<ul style="list-style-type: none"> Environmental protection Corporate responsibility Community involvement 	<ul style="list-style-type: none"> Environment evaluation Volunteer activities Charity events

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

MATERIALITY ASSESSMENT

The management and staff of the Group's respective major operations have participated in the preparation of the ESG Report to assist the Group in reviewing its operations and identifying relevant ESG issues and assessed the importance of related matters to its businesses and stakeholders. The establishment of a continuous and effective communication mechanism enables the Group to be timely informed of the expectations and demands of stakeholders and formulate reasonable ESG implementation plans and goals accordingly. The Group identified the below material issues to be included in the ESG Report.

ESG aspects	Material ESG issues
A. Environmental	
Emissions	<ul style="list-style-type: none"> • Air Pollutant Emissions • Greenhouse Gas Emissions • Waste Management
Use of Resources	<ul style="list-style-type: none"> • Energy Consumption Efficiency • Water Consumption Efficiency • Use of Packaging Materials
The Environment and Natural Resources	<ul style="list-style-type: none"> • Green Products • Green Office Management
Climate Change	<ul style="list-style-type: none"> • Response to Climate Change
B. Social	
Employment	<ul style="list-style-type: none"> • Employment Practices and Equal Opportunity
Health and Safety	<ul style="list-style-type: none"> • Workplace Health and Safety
Development and Training	<ul style="list-style-type: none"> • Employee Training Management
Labour Standards	<ul style="list-style-type: none"> • Prevention of Child and Forced Labour
Supply Chain Management	<ul style="list-style-type: none"> • Supplier Evaluation Mechanism
Product Responsibility	<ul style="list-style-type: none"> • Quality Control • Customer Information and Privacy
Anti-corruption	<ul style="list-style-type: none"> • Anti-corruption Code and Compliance
Community Investment	<ul style="list-style-type: none"> • Community Service

ABOUT XINYI ELECTRIC STORAGE

Xinyi Electric Storage commenced business in 1996 and had since strategically transformed into an integrated new energy solutions provider. Since 2017, the Group started to engage in new energy business, focusing on electric storage products and PV Films, and also providing EPC Services for photovoltaic power station, forklift trading and wind farm management service. Besides, Xinyi Electric Storage is currently one of the main automobile glass repair and replacement service providers in Hong Kong.

NEW ENERGY - ELECTRIC STORAGE BUSINESS

The Group has production facilities in Zhangjiagang, Jiangsu Province, the People's Republic of China (the "PRC") for the manufacturing and sales of lithium battery and energy storage products.

The electric storage business of the Group mainly focuses on the development and sales of the industrial and commercial energy storage products as well as the household energy storage products. The Group's products are mainly sold and installed in integrated systems comprising lithium batteries, battery management systems and other components (such as energy management systems and power conditioning systems). The Group's energy storage products for industrial and commercial use are mainly being used as energy storage systems to facilitate load shifting and power stabilisation, and also being used as uninterruptible power supply. The Group's energy storage products for household use mainly include micro energy storage products and portable electric vehicle chargers.

NEW ENERGY — EPC SERVICES

The Group provides EPC Services for photovoltaic power stations to customers in the PRC and Canada for the installation of photovoltaic power stations in their premises.

NEW ENERGY - PV FILMS

Since the fourth quarter of 2021, the Group has been actively preparing for the development of the production and sales of PV Films. The Group's PV Films are used as encapsulant materials for solar modules. The Group is in the process of constructing and installing PV Films production facility in Wuhu City, Anhui Province, the PRC. Other than that, the Group is also setting up a PV Films production line in Malaysia that is in the progress of installation and testing.

AUTOMOBILE GLASS REPAIR AND REPLACEMENT SERVICES BUSINESS

The Group operates four service centres and a motorcade service team in Hong Kong for the provision of automobile glass repair and replacement services.

ENVIRONMENTAL PROTECTION

Xinyi Electric Storage continues to increase the business investment in new energy sector. This is to create and shape the Group itself an environmental-friendly and innovative brand. Through continuous integration and optimisation of the “green” industrial chain, it gives and actively promotes to customers such energy-saving and environmental-friendly product experience and green initiatives. These green ideas are actively fostered within the Group.

As a lithium battery and energy storage products manufacturer in the new energy business sector and PV Films manufacturer, the Group is strongly committed to environmental protection while conducting business in Mainland China. With the aim of creating green spaces, the Group has been carrying out a series of environmental protection measures and has actively implemented various emission reduction solutions. In response to the country’s advocacy and promotion of environmental protection, the Group optimises its production facilities and implements intelligent manufacturing automations. As an important part of the enterprise development strategy, “energy saving and environmental protection” is implanted in every step of its development.

In response to the national goal of peak carbon emissions (碳達峰) in 2030 and carbon neutrality (碳中和) in 2060, the Group has established a carbon management group and a carbon management office to manage the Group’s carbon emissions. Their main tasks include compiling and reviewing goals of carbon management, organising the publicity and training of the Company’s internal carbon management, promoting the implementation of energy conservation and emission reduction projects, and managing the collection, verification, and analysis of information about carbon emissions.

During the year, we had complied with the applicable laws and regulations relating to environmental protection and had not been subject to any penalties or fines by the competent authority for any non-compliance with the relevant environmental protection laws and regulations. We did not experience any incident or complaint or claim relating to environmental hazard which had a material impact on us during the year.

EMISSIONS

The Group aims to support sustainable development by conducting our business in an environmentally responsible manner. The Group is aware of the impact of climate change and make effort to minimise the effect our operations have on the environment.

AIR POLLUTANT EMISSIONS

The Group’s operation generates air pollutant emissions from the use of vehicles. The Group operates motorcade service teams for provision of automobile glass repair and replacement services to our customers at designated locations as requested by our customers. During the process of combustion of fuels in the vehicles, air pollutants, such as nitrogen oxides, sulphur oxides and particulate matters are produced.

ENVIRONMENTAL PROTECTION

Meanwhile, the Group's lithium battery production also generates air pollutants, including non-methane hydrocarbons and particulate matters. The air pollutants is discharged after being treated by the introduced equipment such as dust removal equipment, N-Methyl Pyrrolidone (NMP) recovery system and primary activated carbon adsorption device. The Group adopted de-ionised water, which is no harmful to the environment when vaporised, as a solvent for mixing of anode powders. NMP is used as cathode solvent and its recovery rate is over 99.5% by using the condensing technique to realise continuous recapturing and air purification.

In addition, the ingredients in the production process and the extrusion process during the production of PV Films generates exhaust gas. The Group adopts activated carbon adsorption of exhaust gas and catalytic combustion devices for treatment. The treated volatile organic compounds meet the emission standards. This treatment method is a pollution prevention and control process recommended by the regulations, so it has achieved the emission standard to reduce the impact on the environment.

Our forklift trading and wind farm management businesses do not involve production process, hence there is no significant emission of pollutant.

The lithium battery related business and the PV Films business comply with the environmental protection laws and regulations applicable to its business. The relevant laws and regulations include:

- "Environmental Protection Law of the People's Republic of China" (《中華人民共和國環境保護法》);
- "Law of the People's Republic of China on Appraising Environmental Impacts" (《中華人民共和國環境影響評價法》);
- "Cleaner Production Promotion Law of the PRC" (《中華人民共和國清潔生產促進法》);
- "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution" (《中華人民共和國大氣污染防治法》);
- "The Law of the PRC on Prevention and Control of Environmental Noise Pollution" (《中華人民共和國環境噪聲污染防治法》);
- "Law of the People's Republic of China on the Prevention and Control of Water Pollution" (《中華人民共和國水污染防治法》);
- "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" (《中華人民共和國固體廢物污染環境防治法》);
- "Emission Standard of Pollutants for Battery Industry" (《電池工業污染物排放標準》) (GB30484-2013); and
- "Discharge Standards for Pollutants in the Synthetic Resin Industry" (《合成樹脂工業污染物排放標準》) (GB31572-2015).

ENVIRONMENTAL PROTECTION

Emission-related data are being closely monitored by our plants in China and under strict control to ensure that the emission readings are in line with the requirements of national and regional laws and regulations and are within the stipulated levels of industry. Air pollutant emissions met the national and local standard, and was closely monitored.

The Group actively takes measures to reduce the emission of air pollutants, include:

- Regular inspection and maintenance of equipment, pipelines and valves to ensure good air tightness of devices
- Regular replacement of activated carbon to ensure its adsorption efficiency for organic waste gas

The amount of air pollutant emissions in 2022 and 2021:

Key Performance Indicator	Unit	2022	2021
Total emissions of air pollutant			
– Nitrogen oxides (NO _x)	kilogram	566.5	449.9 ^(Note 1)
– Sulphur oxides (SO _x)	kilogram	0.1	0.1
– Particulate matters (PM)	kilogram	63.7	54.9 ^(Note 1)
– Non-methane hydrocarbons (NMHC)	kilogram	199.2	270.5

Note:

1. Certain information of air pollutant emissions in 2021 has been restated after review.

The lithium batteries produced by the Group would generate and discharge particulate matters and non-methane hydrocarbons. The Group adopted a more accurate method to test the emissions of air pollutants in 2022, and the testing results showed that the concentration of emission was lower than the method adopted in 2021. Therefore, the Group recorded a decrease in the emission of non-methane hydrocarbons despite an increase in the production volume of lithium batteries in 2022.

GREENHOUSE GAS EMISSIONS

The main sources of greenhouse gas emissions of the Group are generated by fuel and diesel consumed by vehicles, electricity purchased for the production of lithium batteries and PV Films, and steam purchased for the production of lithium batteries.

ENVIRONMENTAL PROTECTION

The amount of greenhouse gas emissions in 2022 and 2021:

Key Performance Indicator	Unit	2022	2021
Total emissions of greenhouse gas			
– Direct greenhouse gas emissions ^(Note 1)	tonne of CO ₂ e	112.3	133.2
– Indirect greenhouse gas emissions ^(Note 2)	tonne of CO ₂ e	9,241.3	10,424.4
Total volume of greenhouse gas emissions	tonne of CO ₂ e	9,353.6	10,557.6
Emission intensity of greenhouse gas			
– Greenhouse gas emissions			
• Electric storage business	kilogram of CO ₂ e/kWh	35.5	93.0
• PV Films	kilogram of CO ₂ e/m ²	0.2336	N/A ^(Note 4)
• Automobile glass repair and replacement services	kilogram of CO ₂ e/revenue (HK\$'000)	3.9	4.0

Note:

1. Direct greenhouse gas emissions (scope 1 emissions) refers to the greenhouse gas emissions directly generated from the combustion of fuels in mobile sources owned by the Group, which is calculated based on “How to prepare an ESG report — Appendix 2: Reporting Guidance on Environmental KPIs” issued by the SEHK.
2. Indirect greenhouse gas emissions (scope 2 emissions) refers to the greenhouse gas emissions generated by the Group’s consumption of electricity and steam purchased externally. The greenhouse gas emissions generated by consumption of electricity purchased externally is calculated based on the 2019 Baseline Emission Factors for Regional Power Grids in China for Reduction Projects 《2019年減排項目中國區域電網基準線排放因子》 (using the average of the operation margin and build margin) published by the Ministry of Ecology and Environment of the People’s Republic of China and the 2022 Sustainability Report published by CLP. The greenhouse gas emissions generated by consumption of steam purchased externally is calculated based on the Guidelines for Accounting Methods and Report of Greenhouse Gas Emissions from Industrial and Other Industries Enterprises (Trial) 《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》 published by the National Development and Reform Commission.
3. To more effectively disclose the performance of the Group’s businesses in greenhouse gas emissions, the intensity of greenhouse gas emissions is presented by business.
4. As the PV Films business was the Group’s new business commenced in 2022, no figures of 2021 are available for comparison.

The Group actively takes measures to reduce greenhouse gas emissions, include:

- Improve the speed of coating machines, increase the efficiency of equipment, and reduce the usage amount of steam
- Install frequency changers for air compressor to reduce electricity consumption
- Install distributed PV power generation equipment to reduce indirect greenhouse gas emissions

As a result of a reduction in the volume of electricity purchased externally since the Group's distributed PV power generation equipment at the production base for lithium batteries in Zhangjiagang commenced operation at the beginning of 2022, the volume and intensity of greenhouse gas emissions of the electric storage business decreased in 2022.

The Group anticipates that, along with the gradual commencement of production of PV Films, the volume of greenhouse gas emissions in 2023 will increase as compared with that of 2022 in terms of actual figures, but we will endeavor to reduce the intensity of total volume of greenhouse gas emissions by adopting measures to save energy and reduce emissions. The Group sets a target to slightly reduce the intensity of greenhouse gas emissions in 2023 than that in 2022 and expects to achieve such targets through continuous review of the above measures.

WASTE MANAGEMENT

The Group inevitably generates hazardous and non-hazardous wastes during the production of lithium batteries and PV Films. Waste electrolytes, spent activated carbon and waste additive barrels are the Group's main hazardous wastes, while NMP waste liquids, waste scraps, substandard batteries, waste packaging and domestic wastes are the Group's main non-hazardous wastes. The NMP waste liquids generated from the Group's lithium battery production were identified as general solid waste by third-party testing institution.

The Group properly stores hazardous wastes in accordance with the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" (《中華人民共和國固體廢物污染環境防治法》), the "Pollution Control Standard for Storage and Landfill of General Industrial Solid Waste" (GB 18599-2020) (《一般工業固體廢物貯存和填埋污染控制標準》) (GB18599-2020) and the "Standard for Pollution Control on Hazardous Waste Storage" (《危險廢物貯存污染控制標準》)(GB18597-2001)). Most of our wastes were returned to the suppliers or sold to qualified recycling companies. Other wastes would be packed properly before disposing to the waste centre.

The Group actively takes measures to reduce the generation of wastes, include:

- Use pipes to store electrolyte, and dehumidifiers in workshops are not turned off when not in production to reduce the generation of waste electrolyte
- Improve the passing rate of battery cells and reduce defective battery cells
- Oversee the use of non-hazardous outer packaging materials by suppliers

ENVIRONMENTAL PROTECTION

The amount of hazardous waste and non-hazardous waste produced in 2022 and 2021:

Key Performance Indicator	Unit	2022	2021
Total hazardous waste and non-hazardous waste produced			
– Hazardous waste	tonne	10.8	3.8 <i>(Note 1)</i>
– Non-hazardous waste	tonne	954.1	1,105.1 <i>(Note 1)</i>
Intensity			
– Hazardous waste			
• Electric storage business	gram/kWh	40.6	33.8 <i>(Note 1)</i>
• PV Films	gram/m ²	0.3176	N/A <i>(Note 3)</i>
– Non-hazardous waste			
• Electric storage business	gram/kWh	3,859.4	9,892.2 <i>(Note 1)</i>
• PV Films	gram/m ²	17.8	N/A <i>(Note 3)</i>

Note:

- 1 The NMP waste liquids generated from the Group's lithium battery production were identified as general solid waste by third-party testing institution. As a result, the volume of NMP waste liquids generated in 2021 has been reclassified from hazardous waste to non-hazardous waste.
- 2 To more effectively disclose the performance of the Group's businesses in waste production, waste production intensity is presented by business.
- 3 As the PV Films business was the Group's new business commenced in 2022, no figures of 2021 are available for comparison.
- 4 As automobile glass repair and replacement services do not involve production process and do not produce significant waste, therefore, the volume of waste generated is not presented in the table above.

ENVIRONMENTAL PROTECTION

The intensity of hazardous waste generated from the Group's electric storage business in 2022 increased as compared with that of 2021, which was mainly attributable to the commencement of operation of sewage treatment equipment at its production base in 2022, which generated hazardous waste such as evaporation residue and sludge from sewage treatment.

To reduce waste generation, the following optimisation measures were carried out at the Group's production base for lithium batteries in 2022:

- Through technological optimisation of the aluminum shell initial injection process, control the issues concerning the overflow of electrolyte after initial injection, reduce contamination of batteries by overflowed electrolyte and reduce the scrap volume of electrolyte.
- Based on the volume of initial injection and the negative pressure value from negative pressure formation, in combination of the characteristics of products or equipment to develop a new negative pressure pulse formation process by departments of quality control, production and R&D, so as to reduce the volume of electrolyte scrapped by reducing the loss of electrolyte after negative pressure formation.

The Group anticipates that, along with the gradual commencement of production of PV Films, the volume of hazardous and non-hazardous waste generated in 2023 will increase as compared with that of 2022 in terms of actual figures, but we will endeavor to reduce the intensity of total volume of hazardous and non-hazardous waste by adopting measures to save energy and reduce emissions. The Group sets a target to slightly reduce the intensity of hazardous and non-hazardous waste in 2023 than that in 2022 and expects to achieve such targets through continuous review of the above measures.

ENVIRONMENTAL PROTECTION

USE OF RESOURCES

The Group's energy consumption mainly comes from diesel and gasoline required for the use of vehicles, electricity purchased for the production of lithium batteries and PV Films, and steam purchased for the production of lithium batteries.

WATER AND ENERGY CONSUMPTIONS IN 2022 AND 2021 :

Key Performance Indicator	Unit	2022	2021
Energy consumption			
– Direct energy consumption	MWh	3,929.9	545.5
– Indirect energy consumption	MWh	18,548.6	20,782.0
– Purchased electricity	MWh	9,810.4	11,440.7
– Purchased steam	MWh	8,738.2	9,341.3
Total volume of energy consumption	MWh	22,478.5	21,327.5
Total water consumption	tonne	116,766.9	33,251.4
Total emissions of air pollutant			
– Energy consumption			
• Electric storage business	kWh/kWh	99.0	185.4
• PV Films	kWh/m ²	0.6116	N/A ^(Note 2)
• Automobile glass repair and replacement services	kWh/revenue (HK\$'000)	22.5	27.2
– Water consumption			
• Electric storage business	tonne/kWh	0.4767	0.2878
• PV Films	tonne/m ²	0.0018	N/A ^(Note 2)
• Automobile glass repair and replacement services	tonne/revenue (HK\$'000)	0.0253	0.0256

Note:

- To more effectively disclose the performance of the Group's businesses in the use of resources, the intensity of use of resources is presented by business.
- As the PV Films business was the Group's new business commenced in 2022, no figures of 2021 are available for comparison.

ENVIRONMENTAL PROTECTION

In order to use clean energy more efficiently, the Group has installed distributed PV power generation equipment at its production base for lithium battery in Zhangjiagang, Jiangsu Province and its production base for PV Films in Wuhu City, Anhui Province to improve power generation efficiency with better environmental performance.



PV power generation equipment at production bases

As the Group started using distributed PV power generation equipment to provide part of the electricity required for the production of lithium battery in 2022, the energy generated internally from equipment owned/controlled by the Group (i.e. the electricity generated from the distributed PV power generation equipment) was included in direct energy consumption in 2022. Meanwhile, as part of the electricity required for lithium battery production was provided by the distributed PV power generation equipment mentioned above, indirect energy consumption (including electricity purchased externally) decreased compared with 2021.

The Group has implemented various energy conservation strategies, including turning off non-essential electrical appliances when not in use to eliminate unnecessary power consumption. The Group chooses to use energy-saving equipment in production activities and reduce out-of-date equipment with high energy consumption.

The Group continuously upgrades its equipment for the lithium battery production in order to achieve the purpose of energy saving and emission reduction, and to build an environmental-friendly facility. For example, every battery should be charged and discharged several times during the formation and grading process. The Group's formation and grading systems have the ability to recycle energy from the discharging batteries and to feedback the energy to power grid to be reused by other facilities. The recycling efficiency can reach to approximately 75%. Through these approaches, the Group can utilise the resources more efficiently and, to some extent, reduce the consumption of various types of resources.

ENVIRONMENTAL PROTECTION

To reduce the volume of electricity consumption, the following measures were carried out at the Group's production base for lithium batteries to save energy and reduce consumption in 2022:

- Through optimising the parameters of motor unit meters in the electricity distribution room, reduce the loss and consumption of electricity in the main circuit.
- By calculating the installed capacity of aluminum shell equipment, in combination of the actual volume of energy used during operation of equipment, integrate the voltage converters to reduce the loss and consumption of electricity while satisfying the volume of electricity used for production.

In terms of water management, the Group is committed to reducing water consumption and wastewater discharge during the production process. At present, our production base is equipped with sewage treatment and collection systems to treat domestic and production sewage. Production sewage treatment and collection system recycles the sewage generated during production for reuse, uses recycled water for production, and reduces new demand for water. Domestic sewage is discharged only after being treated and reaching emission standards. Sewage discharge is regularly monitored for its pH, chemical oxygen demand (COD), suspended solids (SS), total nitrogen (TN), total phosphorus (TP), total dissolved solid (TDS) and ammonia nitrogen (NH₃-N) to ensure compliance with the national discharge standards.

The Group's production base for lithium batteries was moved to Zhangjiagang in 2021. The total volume of water consumption of that production base in 2021 did not include river water intake. The Group stepped up efforts in data collection in 2022 and since then the volume of river water intake was fully recorded. As a result, the total volume and intensity of water consumption in 2022 increased significantly as compared with that of 2021. The Group will continue to optimise and strengthen its efforts in the collection of environmental protection data, in order to record and disclose relevant information in a more comprehensive manner.

We use water provided by the government and had no difficulty finding suitable water sources in 2022.

The Group anticipates that, along with the gradual commencement of production of PV Films, the volume of energy and water consumption in 2023 will increase as compared with that of 2022 in terms of actual figures, but we will endeavor to reduce the intensity of energy and water consumption by adopting measures to save energy and reduce consumption. The Group sets a target to slightly reduce energy consumption and intensity of water usage in 2023 than that in 2022 and expects to achieve such targets through continuous review of the above measures.

PACKAGING MATERIALS

For the packaging of finished products, the Group also uses simple packaging as far as possible and recycles wooden trays, cardboard and packaging strips.

ENVIRONMENTAL PROTECTION

PACKAGING MATERIALS USED IN 2022 AND 2021:

Type	Unit	2022	2021 ^(Note 1)
Wood	tonne	196.0	2.0
Plastic	tonne	24.4	4.0
Paper	tonne	142.0	22.8
Others	tonne	196.0	0.1
Total	tonne	558.4	28.9
Intensity			
– Packaging materials			
• Electric storage business	gram/kWh	54.6	258.7
• PV Films	gram/m ²	91.8	N/A ^(Note 3)

Notes:

- The data of packaging materials used in 2021 have been restated after review.
- To more effectively disclose the performance of the Group's businesses in the use of packaging materials, the volumes of packaging materials used are presented by business.
- As the PV Films business was the Group's new business commenced in 2022, no figures of 2021 are available for comparison.
- As automobile glass repair and replacement services do not involve packaging materials and do not require significant use of packaging materials, therefore, the volumes of packaging materials used are not presented in the table above.

The significant increase in the volume of packaging materials used in 2022 as compared to 2021 was due to the addition of new production line of PV Films, which involved a higher consumption of packaging materials.

The intensity of use of packaging materials for the Group's electric storage business in 2022 reduced significantly as compared with 2021, mainly because the Group recorded a higher proportion of sales of its industrial and commercial energy storage products in 2022, which required less packaging materials, whereas more packaging materials (e.g. carton boxes) were required for the sales of other lithium battery products in 2021.

The Group anticipates that, along with the gradual commencement of production of PV Films, the volume of use of packaging materials in 2023 will increase as compared with that of 2022 in terms of actual figures, but we will endeavor to reduce the intensity of use of packaging materials by actively exploring different product packaging methods, including recycling packaging materials to reduce the use of new packaging materials, etc.

THE ENVIRONMENT AND NATURAL RESOURCES

Lithium battery, solar energy and wind energy are renewable energy, which can reduce the reliance on traditional fuels and cause less damage to the environment and resources. Compared with conventional batteries, lithium batteries feature an array of advantages including high energy density, light weight, tiny size, long life cycle and quick charging. They are also known as “green and new energy products” since they are free of heavy metals such as lead, cadmium and do not contain toxic substances. Therefore, there are no significant environmental risks of pollution in the lithium battery related business of the Group.

The Group and its partners promote environmental protection and emission reduction by using lithium batteries, energy storage systems and electric forklifts developed and constructed by them. Their operations cause no greenhouse gas emissions and can facilitate energy saving.

Before setting up the production facilities of lithium battery and the production facilities of PV Films, the Group has carried out environmental assessment to analyse the natural environment (such as water, soil and natural resources) and the environmental quality (such as air quality, quality of surface water, environmental noise). In addition, the analysis report has set out the primary environmental protection goals and the levels of protection.

Except for the various measures of energy saving and emission reduction mentioned above, the Group has adopted the following green office practices to raise our staff’s awareness of environmental protection with the aim of protecting the environment and natural resources:

- Setting up waste recycling bins to recycle waste paper, aluminum cans and plastic bottles;
- Encouraging the staff to save paper and putting a box beside the printer to collect used paper for double-sided printing and reuse;
- Properly adjusting the temperature of the office air- conditioning system to reduce energy consumption;
- Reducing the unnecessary power consumption of lighting equipment and only keeping the specially required lighting systems and those for security purposes at lunch breaks and non-business hours;
- Making use of the sleep mode of computers and the power-saving mode setting and turning off computers that are not used in lunch break and non-working time;
- Encouraging the staff to use reusable utensils such as water bottles, cups and avoid using disposable items such as paper cups;
- Using energy-efficient appliances such as LED lights and appliances with Grade 1 energy efficiency label; and
- Continuously optimising and promoting office automation and gradually implementing a paperless office.

CLIMATE CHANGE

Climate change is an important issue that is closely watched around the world. As the impact of climate change on corporate operations becomes increasingly significant, it can be expected that relevant environmental protection regulations will continue to be tightened, and stakeholders will continue to pay more attention to climate change issues. The Group recognises the challenges brought by environmental and climate change risks to its daily business and operations. At the same time, as the Group is a new energy enterprise, the society's attention to environmental protection and climate change also brings opportunities to the Group's business. Through communication and research with various functional departments and stakeholders, the Group proactively identifies risks and opportunities, sorts out major risks and opportunities from climate changes related to the Group, and formulate relevant coping strategies by analysing the impact generated from risks and opportunities.

The major risks and opportunities from climate changes recognised by the Group and coping strategies formulated by the Group are as follows:

	Risks	Coping strategies
Physical risk	<p>Acute risk: Extreme weather such as typhoon, rainstorm, earthquake</p>	<ul style="list-style-type: none"> Factories, office buildings and equipment are damaged, resulting in loss of assets Equipment damage, employees' inability to work normally, transportation interruption, etc., affect the stable production, which results in a decrease in operating income
	<p>Chronic risk: Sustained heat, drought, etc.</p>	<ul style="list-style-type: none"> To prevent heat stroke events that may occur during high temperature work of employees, which result in financial losses The increase in temperature leads to the need for the Group to equip more refrigeration equipment, which increases operating costs

ENVIRONMENTAL PROTECTION

		Risks	Coping strategies
Transition risk	Reputation risk	Stakeholders such as the government, customers and business partners expect the Group to take active management actions in addressing climate change action and enhance the transparency of information disclosure. Poor performance in addressing climate change and sustainability will lead to negative feedback from stakeholders	<ul style="list-style-type: none"> • Improve the sustainable development capability of the Group and actively respond to climate change • Improve related management transparency and respond to stakeholder concerns
	Policy risk	The government has introduced stricter policies and regulations to monitor climate change and increase the compliance work of corporate operations. The Group may face higher environmental protection requirements, which lead to higher operating costs	<ul style="list-style-type: none"> • Pay close attention to the latest developments of domestic and foreign environmental laws, regulations and policies and respond in a timely manner • Actively carry out energy conservation and emission reduction work to increase the proportion of clean energy

ENVIRONMENTAL PROTECTION

	Risks	Coping strategies
Transition risk	Market risk	<p>Changes in consumer behavior in the market, if the products and services provided by the Group cannot effectively and timely meet consumers' demand for green and low-carbon products, it will have an impact on its operations</p> <ul style="list-style-type: none"> Promote business innovation, research and development innovation to promote the development of green products to meet customer demand
	Technology risk	<p>As the country and the society pay more attention to the issue of addressing climate changes, the Group needs to deploy more energy-saving and technological upgrading project, adopt new technologies and new processes, and reduce carbon emissions of the Group</p> <ul style="list-style-type: none"> Improve the Group's research and development capabilities through measures such as talent training and retention Continue to research and apply low-carbon technologies, and continuously optimise production craft and reduce energy consumption

ENVIRONMENTAL PROTECTION

	Opportunities	Coping strategies
Markets, products and services	In the context of the transition to a low-carbon economy, the demands of customers and consumers for products and services, such as energy storage products, photovoltaic power generation, lithium-ion forklifts, are also increasing, bringing new market opportunities to the Group and increasing operating income	<ul style="list-style-type: none"> Promote business innovation and launch products that meet market demand in a timely manner to attract and retain customers Identify and respond to government supportive policies and green projects
Efficiency of resource use	Improve the efficiency of resource use, including the use efficiency of energy, water resources, etc., to help the Group reduce the cost in the operation process	<ul style="list-style-type: none"> Continuously monitor the use of various resources and take timely improvement measures to reduce greenhouse gas emissions and use of resources Actively explore and apply new technologies, new equipment and new processes to improve the efficiency of resource use and reduce energy use costs

EMPLOYMENT AND LABOUR PRACTICES

EMPLOYMENT

Xinyi Electric Storage regards talents as the most valuable treasure. The Group insists on providing every employee with fair, just and reasonable opportunities for development by continuously improving working conditions, offering competitive benefits and remuneration, and adopting an effective training system and the employment mechanism of putting ability and contribution over education and seniority. Platforms are established for the employees to show their talents, which attracts, nurtures, motivates, and retains competent and quality talents up to international standards.

RECRUITMENT, PROMOTION AND DISMISSAL

The Group strictly comply with “Labour Law of the People’s Republic of China” (《中華人民共和國勞動法》), “Labour Contract Law of the People’s Republic of China” (《中華人民共和國勞動合同法》), “Employment Ordinance” (《僱傭條例》) in Hong Kong and “Canada Labour Code” in Canada, and the relevant administrative rules and measures are strictly enforced. These rules and regulations specify the requirements relating to employment, labour relations, employees’ remuneration and welfare to protect the rights of employees. We strictly complied with the “Insurance Law of the People’s Republic of China” (《中華人民共和國社會保險法》) and Hong Kong’s “Mandatory Provident Fund Schemes Ordinance”. The Group paid social insurances and mandatory provident fund in a timely manner for all the staff.

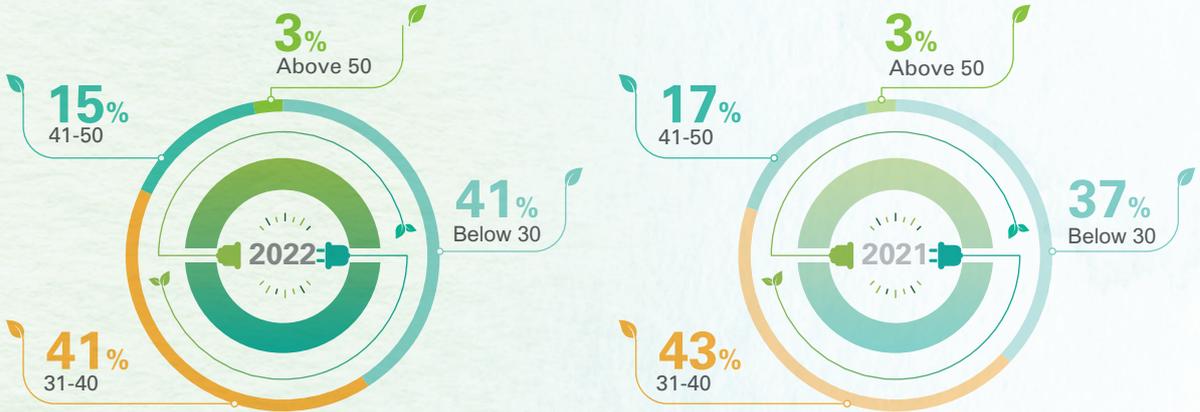
The Group has formulated a series of employment policies and procedures such as “Recruitment Management Process” (《招聘管理流程》) in accordance with the laws and regulations of countries and regions to proceed employment in a manner of fairness, equity and transparency. The ways of recruitment include various channels, including recruitment notices put on the bulletin board near the factory entrance and recruitment websites, as well as talent markets, the Internet, campus recruitment, headhunting and internal recommendation from employees to satisfy the talent needs of various departments. There are internal guidelines set up for all these recruitment methods so as to ensure that there is a fair opportunity for every application for the recruitment of the suitable candidate. Before new employees can work at key technical and management positions, the human resources team will conduct background checks in various aspects by utilising the resources of industry peers to protect the Group from any loss in terms of the opportunity cost of human resources.

As at 31 December 2022, Xinyi Electric Storage had 518 employees (2021: 364 employees), all of which are full-time employees including production, research and development, sales, management and other teams. Xinyi Electric Storage hires employees from diversified backgrounds of different ages, genders, races, nationalities, regions, religions, beliefs, political ideologies and educational backgrounds.

SOCIAL RESPONSIBILITY

The following graphs show the employment distribution of the Group in 2022 and 2021:

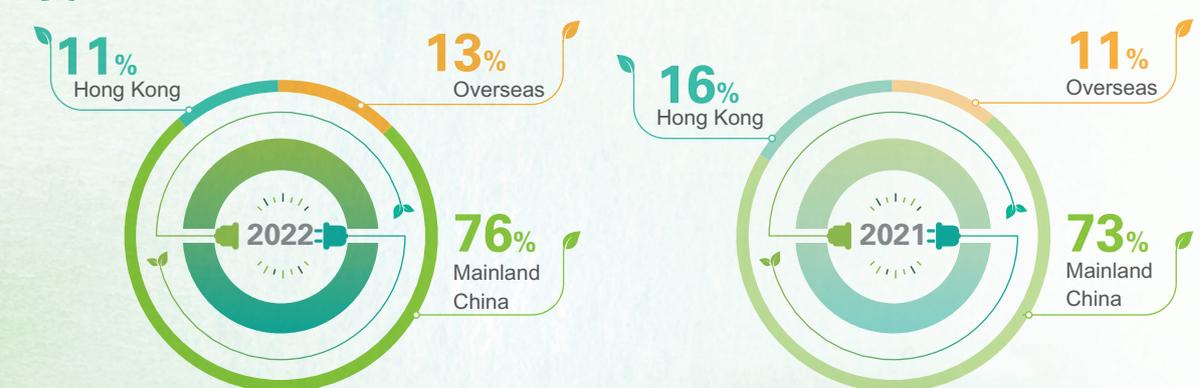
EMPLOYEES BY AGE GROUP



EMPLOYEES BY GENDER



EMPLOYEES BY REGION



As at 31 December 2022, the age distribution of the employees of the Group was mainly in the age group of 21-40, mainly comprising male employees, which was similar to that of last year.

Meanwhile, the Group provides employees with fair, equal promotion opportunities without prejudice based on their performance, personal quality, and ability only and regardless of such factors as age, gender, ethnicity, cultural background, religious belief, and political belief, providing sufficient promotion opportunities for employees who perform their duties with diligence. The Group conducts regular performance appraisals for employees, then provide incentives for employees with outstanding performance based on the assessment results upon review and verification, and proposes improvement measures such as re-training to be arranged, followed up and assessed by the administrative department for employees who fail to meet the standards. In addition to formulating the "Personnel Management System" (《人事管理制度》) and the "Promotion/Demotion Management Procedure" (《晉升／降職管理流程》) as the internal guidelines for general talents management, the Group has established reward systems such as "Management System for the Internal Title Accreditation of the Group" (《集團內評職稱管理制度》), "Patent Reward System" (《專利獎勵制度》) and "Incentive Scheme" (《激勵制度》) to encourage professional personnel to study their business and enhance their skills. The internal title accreditation is carried out once a year. Upon the submission of materials and review on the daily performance, the employees are broadly divided into three levels, junior, middle and senior, so that the employees with adequate experience and capability will be provided with the same level of benefits.

In terms of dismissal, the Group's "Employee Handbook" (《員工手冊》) clearly explains the various situations in which the Group will terminate the labour contract and other handling methods, while the "Personnel Management System" (《人事管理制度》) states the procedures which should be carried out by the responsible executor, and the right of the affected employee upon the termination of labour contracts, so as to ensure that the Group treats each employee equally. We closely monitor staff turnover rates, respond to feedback on staff turnover and take appropriate measures to retain talent. When an employee resigns, the human resources team will conduct one-on-one resignation interview with the employee regarding his/her plan after resignation and the existing problems of the Group, to sincerely collect opinions from the employee and give feedback to the relevant responsible person for specific improvement. Based on the total number of staff on 31 December 2022, the overall employee turnover rate for the year was about 59% (2021: 70%).

SOCIAL RESPONSIBILITY

The employee turnover rates by gender, age and geographical region in 2022 and 2021 were as follows:

Employment	2022 Turnover rates	2021 Turnover rates
By gender		
– Male	66%	68%
– Female	39%	75%
By age		
– Below 30	74%	86%
– 31-40	50%	67%
– 41-50	49%	40%
– Above 50	36%	91%
By geographical region		
– Hong Kong	47%	24%
– Mainland China	67%	89%
– Overseas	22%	13%

The turnover rate of the Group's employees in 2022 has dropped significantly as compared with that of 2021, which was mainly because the Group's lithium battery production base was moved to Zhangjiagang from Wuhu in 2021, some of the employees left due to the relocation, resulting in a high staff turnover rate in 2021. The Group believes that the turnover rate will show a steady trend as the plants are put into production and the operation continues.

REMUNERATION PACKAGE AND BENEFITS

Xinyi Electric Storage has formulated procedures including “Remuneration Management and Adjustment Procedure” (《薪酬管理調整流程》) and “Remuneration Formulation and Accounting Procedure” (《薪酬制定和核算流程》), and provides the employees with attractive remuneration and benefits. Staff’s remuneration package, comprised of basic salary and reward and punishment, is adjusted for factors such as the Group’s results, the value of the staff member’s position, personal competency and performance, and social development level, etc. The Group also pays the social insurance for its staff, and provides them with benefits including meal allowances, housing benefits, subsidies for high temperature, transport and communication allowances.

In order to retain high calibre staff members, Xinyi Electric Storage carries out internal appraisal of its staff on a yearly basis. The eligible staff members are entitled to participate in the Company’s share option scheme as an incentive. In order to stimulate the working enthusiasm of middle and high-level management cadres and ensure the medium- and long-term healthy development of the Group, Xinyi Electric Storage rewards the department heads and the management cadres at higher levels by setting additional assessment items in terms of integrity, safety and diligence. In addition, Xinyi Electric Storage presents service awards to its employees. Staff will receive their “Xinyi Service Awards” after the completion of their first and second 5-year contract terms.

Xinyi Electric Storage strictly complies with working hour limit and holiday requirements under the laws applicable to each of its places of business, which include “Labour Law of the People’s Republic of China” (《中華人民共和國勞動法》), “Regulation on Public Holidays for National Annual Festivals and Memorial Days” (《全國年節及紀念日放假規定》) and “Provisions of the State Council on Employees’ Working Hours” (《國務院關於職工工作時間的規定》) and “Employment Ordinance” of Hong Kong. Staffs mainly implement an eight-hour working system from Mondays to Fridays, while production departments implement a shift system, and we provides local statutory holidays and paid leaves, such as marriage leave, funeral leave, maternity leave, and paternity leave, etc.

In response to the increasingly fast pace of life, Xinyi Electric Storage encourages its employees to achieve work-life balance. It organises medical check-ups and travel tours for the employees and holds various fun activities after work to enrich their life and communication beyond eight hours of work.

SOCIAL RESPONSIBILITY

HIGHLIGHTS OF SOME ACTIVITIES:

- In order to enhance the cohesion and bonding of the team and promote better communication and interaction among colleagues, the Group has carried out two development activities in Suzhou and Anhui with participation of the Group's high, middle and grassroots personnel.
- In order to enrich the cultural activities for the staff and mobilise their enthusiasm during the pandemic, the Group carried out a dragon boat team-building activity at the industrial park at Zhangjiagang in June 2022 for the staff to experience the cultural heritage of this traditional festival.



Team-building activities

In addition, the Group has also established “Xinyi Education Fund”, dedicated to provide special financial support for the children of the existing employees continuously working at the Group for 2 years or more to complete their study.



HEALTH AND SAFETY

We are subject to the Hong Kong and the PRC laws and regulations regarding labour, safety and workplace incidents. We have implemented our internal safety manual, among other policies, to establish operating procedures for work safety, accident handling, accident rescue and safety training.

Work safety measures are adopted to protect our employees during the course of work. We provide our employees with safety manual, new employee training and regulation education.

We provide safety protection to our employees working in our service centres and production plant, which includes providing them with adequate safety equipment and ensuring that our service centres and plant facilities have adequate precautionary measures. When there is an accident or emergency, immediate report to our administrative department and appropriate responsive actions are required.

The Group attaches great importance to safe production, normalises safety education, and requires all personnel to participate in the drills involving the use of fire equipment, which has effectively improved the safety awareness and emergency handling capacity of all employees.



SOCIAL RESPONSIBILITY

During the year, we had complied with the applicable laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards and had not been subject to any penalties or fines by the competent authority for any non-compliance with the relevant laws and regulations. The Group recorded no work-related fatalities in the past three years (including 2021). In 2022, there were 295 lost days (2021: 87 days) due to work-related injuries.

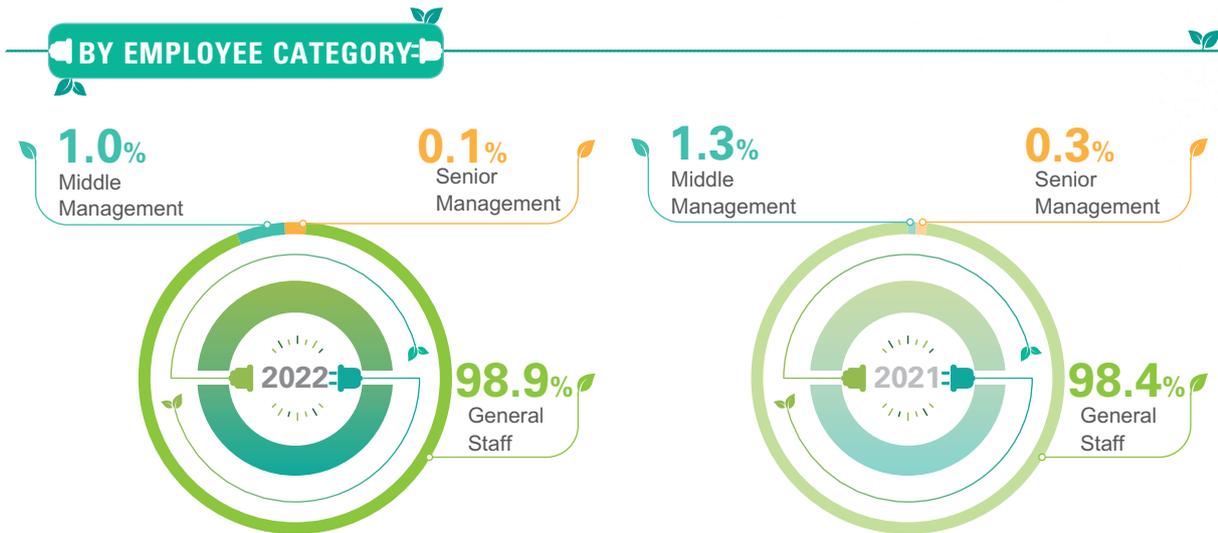
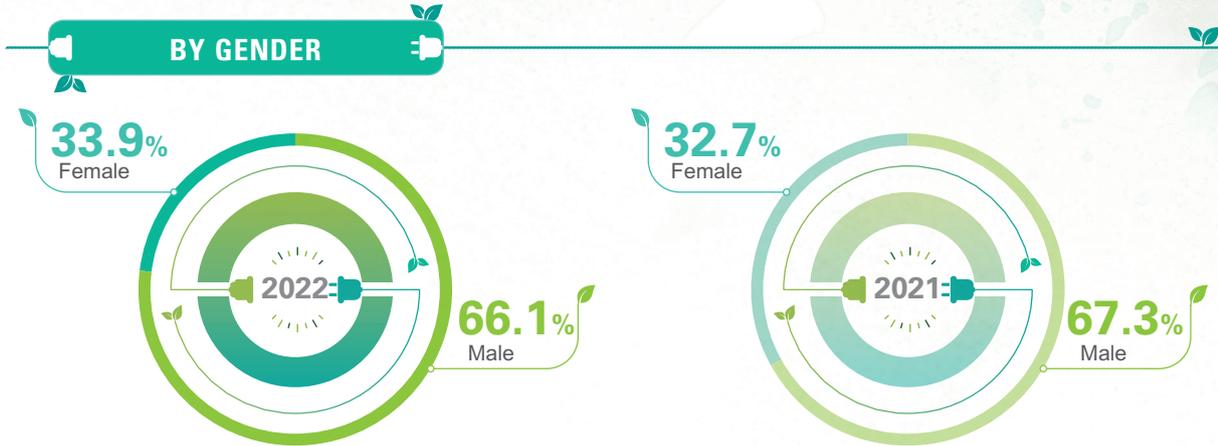
DEVELOPMENT AND TRAINING

Xinyi Electric Storage regards human resources as intangible assets, and is committed to the organic integration of the employees' career planning and the long-term development of the Group by organising orientation training, on-the-job training, external training, management training and business training in an effective and complementary manner.

We allocate ample resources to staff training and development with the aim of sustaining a competent, professional and ethical staff force that will contribute to the success of the Group. Our commitment to staff development is also aligned with the expectation that our Group should engage and deploy personnel with sufficient skills, knowledge, experience and soundness of judgement to discharge their duties. Depending on our staff's role, they will receive relevant on-the-job trainings in areas such as technical skills, customer services, work safety, operation manual, product knowledge, production process, compliance, risk management, leadership and management, and sales and relationships management. Reinforcement and refresher training programs help to ensure employees have the latest information and skills to carry out their duties at the highest standards. In 2022, the Group provided a total of around 3,386.0 hours (2021: 2,241.1 hours) of training for the employees through a combination of internal training and external training. Based on the total number of staff as at 31 December 2022, the average number of training hours per employee in 2022 was around 6.5 hours (2021: 6.2 hours).

SOCIAL RESPONSIBILITY

THE FOLLOWING GRAPHS SHOW THE DISTRIBUTION OF TRAINED STAFF OF THE GROUP IN 2022 AND 2021 (BY NUMBER OF HOURS):



SOCIAL RESPONSIBILITY

The following table shows the average training hours completed by our staff in 2022 and 2021:

Employment type	2022 Average training hours completed	2021 Average training hours completed ^(Note 1)
By gender		
– Male	5.8	5.7
– Female	8.8	7.4
By employee category		
– Senior management	0.6	1.0
– Middle management	0.9	1.7
– General staff	7.1	6.5

Note:

- 1 The training data of 2021 have been restated after review, with the average numbers of training hours calculated based on the total number of staff as at the end of the reporting period by adopting the recommendations in “How to Prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs” issued by the SEHK.

LABOUR STANDARDS

While developing the “Recruitment Management Procedure” 《招聘管理流程》, Xinyi Electric Storage strictly complies with the “Labour Law of the People’s Republic of China” 《中華人民共和國勞動法》, “Provisions on the Prohibition of Using Child Labour” 《禁止使用童工規定》 and the local legal requirements in the places where its business are located, as well as the laws and regulations prohibiting the use of child and forced labour. To ensure staff health and safety, forced labour is strictly prohibited and no staff can start working before the completion of the relevant trainings.

The Group does not hire any persons aged below 16 (or the relevant thresholds as may be prescribed under the local labour law). During the recruitment process, job applicants should produce identity proof to ensure compliance with the Group’s policy as stated above. If such employment of child labour and forced labour is found, the Group will immediately terminate the labour contracts of the relevant employees, discontinue the employment and deal with the relevant responsible employees according to the Group’s system. During the year, the Group was not aware of any major violations of laws and regulations related to the prohibition of the use of child labour or forced labour.

OPERATING PRACTICES

SUPPLY CHAIN MANAGEMENT

The Group selects suppliers based on a stringent set of criteria. The Group has formulated and implemented documents related to processes such as “Procurement Management Procedures” (《採購管理程序》) and “Supplier Management Procedures” (《供應商管理程序》) for all potential and existing suppliers. The Group implemented a grading system and a comprehensive management system for suppliers. For potential suppliers, the Group’s supply chain purchasing team will work with quality control, research and development and other relevant departments to set up a supplier evaluation team to score potential suppliers in all aspects. We evaluate suppliers based on a variety of factors, including product quality, price, payment conditions, production capacity, experience, industry qualification and certification, market reputation and after-sales service. The Group requires major raw material suppliers to pass ISO9001 certification at least. In addition, the environmental and social performance of suppliers is also a crucial part of auditing their performance and standards. During the selection process, specific requirements on suppliers’ environment, business ethics, human rights and public responsibilities are emphasised. The Group will give priority to suppliers with relevant certifications such as quality system and environmental system.

We have conducted on-site inspections and assessments on certain potential suppliers, including visiting factories, evaluating production facilities and production machines, auditing record keeping and management systems, and visiting the management, etc., to know about suppliers’ measures and methods in safe production and environmentally friendly production to ensure that potential suppliers meet our standards. We will also ask potential suppliers to provide samples, and the research and development and quality control departments will test the samples to ensure that the quality of the materials can meet the needs of the Group. If suppliers have met our selection criteria, we will log them into the Qualified Supplier Directory to become our qualified suppliers.

In the contracts entered into between the Group and suppliers, there are specific terms on suppliers’ delivery timeliness, quality requirements, intellectual property rights, etc. Meanwhile, we have formulated the “Supplier Supply Management System” (《供應商供貨管理制度》) to increase the supply share of suppliers that meet the requirements and establish strategic partnerships. Through semi-annual assessments, we generally score the suppliers according to the items required by the Supplier Evaluation Criteria (《供應商評價標準》), fill in the Supplier Half-Year Assessment Schedule (《供應商半年考核明細表》), rate the suppliers according to their scores and implement corresponding disposal measures. For suppliers with low scores, we will issue the Supplier Assessment and Rectification Report (《供應商考核整改報告》) to them, require them to take corrective or preventive measures for improvement, and track the effectiveness of their improvement. If the supplier’s situation does not improve, we will consider removing it from the Qualified Supplier Directory to cease the supply relationship with it. Through these evaluation systems, we maintain a list of qualified suppliers to ensure that they meet our quality standards.

SOCIAL RESPONSIBILITY

In addition, the Group adheres to the principle of green purchasing when purchasing, gives priority to purchasing “green products” in procurement processes, strengthens the safety and environmental protection concepts of suppliers, and promotes suppliers to fulfill their social responsibilities.

We have entered into “Supplier Anti-corruption Agreement” (《供應商廉潔協議》) with the suppliers for non-small-sum piecemeal procurement which have long-term business relationship with the Group, including, but not limited to, all raw material suppliers, engineering service providers, transportation companies/shipping companies, advertising planning companies, equipment suppliers, food and beverage suppliers, and service providers (such as banks, cleaning services, scrap purchasers and machinery, etc.).

The number of suppliers in 2022 and 2021:

Key Performance Indicator	2022	2021
Number of suppliers by geographical region		
– Mainland China	930	492
– Hong Kong	28	20
– Overseas	46	60
	1,004	572

PRODUCT RESPONSIBILITY

QUALITY ASSURANCE

We are committed to provide high quality products and services, and also committed to the research and development of energy-saving and green products. We have made new achievements in the research and development of green products, and have continuously promoted the popularisation and application of energy saving and environmental protection concepts. Xinyi Electric Storage strictly complies with the requirements of the “Product Quality Law of the People’s Republic of China” (《中華人民共和國產品質量法》) and relevant local laws and regulations to implement the ISO9001: 2015 quality management system, and the products have obtained UL1973, UL2580, UN38.3 and China Classification Society Certification CCS. We have established a strict quality management system with internal procedure manual on the production and provision of services. In order to ensure compliance with our internal procedure manual, we will also provide on-the-job trainings to our staffs to enhance their technical skills and provide timely update on the latest technology, customer service skills and workplace safety in order to raise the standard and quality of our products and services. Our quality management team also carry out regular quality control inspections at our production plant and service centres to ensure our products and service quality.

We will test the quality of raw materials storage and production process of products, when abnormalities occur, onsite quality control personnel will fill in a problem report and submit it to professional departments to obtain reason analysis and rectifying measures, which then be confirmed and carried out under supervision by quality control department.

During the reporting period, no products which the Group sold or shipped were subject to recalls for safety and health reasons.

The Group also focus on improving level of after-sales services, to realise high customer satisfaction and maintain long-term trust of customers. We formulated “Warranty Management Control Procedures” (《保修管理控制程序》) to manage after-sales services. In the event that customers suffer malfunction during using our products, we will conduct information collection, problem analysis and initial judgement of malfunction through phone or video. Research and development department will recognise malfunction judged by after-sales personnel and confirm solution, then after-sales personnel will conduct onsite handling or send back for repair according to solution. The Group received a total of 519 complaints (2021: 553 complaints) about electric storage products in 2022, with a processing rate of 100%.

SOCIAL RESPONSIBILITY

CUSTOMER DATA PROTECTION

The Group has also formulated relevant internal policies including “Group Confidential System” (《集團保密制度》) for the data protection of customers and their companies, and will not provide information including product information, sales data and customer information to external units and unrelated personnel. The Group also implements “File Management System” (《檔案管理制度》), to strictly normalise the management and storage of files, in which important customer files and information are classified as the level-one files. Such files and information are duly managed by file room, which effectively avoids leakage of customer information. If any staff is found to leak the above information, the staff will be reported and punished in accordance with the Group’s system, and responsive actions will be taken.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

The Group also attaches great importance to the maintenance of intellectual property rights. According to the “Patent Law of the People’s Republic of China” (《中華人民共和國專利法》), we have formulated the Measures for the Administration of Intellectual Property (《知識產權管理辦法》) to comprehensively manage and protect patents. During the process of maintenance, the core knowledge, process documents, and key parameters of the products will be kept confidential to customers. If any staff is found to leak core intellectual property information, the staff will be reported and punished in accordance with the Group’s system, and responsive actions will be taken.

ANTI-CORRUPTION

The Code of Conduct allows our people to understand explicitly on several areas, which include the provisions of anti-corruption, antibribery, conflict of interest and gift policy.

The Group's business operations are required to comply with local and national legislation on standards of conduct, such as with the Prevention of Bribery Ordinance in Hong Kong and relevant legislation on anti-corruption and bribery including Criminal Law of the People's Republic of China in the PRC. With reference to such applicable regulations, the Group has formulated Integrity Management System 《廉潔管理制度》 and "Top 10 Integrity Rules for Xinyi's Staff" 《信義系員工十大廉潔條例》 to strengthen the construction of Xinyi Electric Storage's integrity culture, ideologically guide the employees to foster morally sound outlook on life and values, and promote and advocate the same across the Group. In addition, the Group has also formulated the "Xinyi's Whistleblower Protection and Reward System" 《信義系舉報人保護和獎勵制度》 to encourage suppliers, other partners and employees to participate in the supervision system of integrity operation, actively report corruption, duty crimes and other illegal acts, and protect the legal rights and interests of the Company and the employees.

The Group has implemented anti-corruption measures, by setting up various communication channels for reporting actions of corruption, soliciting or receiving benefits and offering advantages. The whistleblowing system can handle any breach of the law covered by the Code of Conducts. The Group demonstrates zero tolerance for any bribery and corruption through rigorous systems.

In 2022, the Group had two legal cases regarding corruption activities in which the persons involved were immediately dismissed.

To promote the corporate culture of honesty and integrity and enhance the integrity awareness of all employees, the Group provided a total of 1.5 hours of integrity training in 2022, entailing 152 participants on aggregate, and covered ordinary employees and executive directors.

SOCIAL RESPONSIBILITY

COMMUNITY

COMMUNITY INVESTMENT

The Group believes that our role and responsibility in the communities where we operate business goes beyond being just doing business. We develop harmonious environment for the local communities in which we are operating. The Group hires staff from local communities, listen their needs, and maintains a pleasant working environment. In 2022, the Group has participated in charity activities like the Dress Casual Day , Flag Days of Tung Wah Group of Hospitals organised by the Community Chest and our employees have actively made donations. Our management wants to express our great gratitude to our communities and plans to contribute the society, hence, we participate or encourage our staff in joining charity activities.



THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

ENVIRONMENTAL		
Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection – Emissions
KPI A1.1	The types of emissions and respective emissions data.	Environmental Protection – Emissions – Air Pollutant Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Emissions – Greenhouse Gas Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Emissions – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Emissions – Waste Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental Protection – Emissions – Air Pollutant Emissions/Greenhouse Gas Emissions

APPENDIX

ENVIRONMENTAL		
Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
A1: Emissions		
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Protection – Emissions – Waste Management
A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection – Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Use of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Protection – Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Protection – Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Protection – Use of Resources
A3: The Environmental and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Protection – The Environmental and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection – The Environmental and Natural Resources

ENVIRONMENTAL		
Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental Protection – Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environmental Protection – Climate Change

SOCIAL		
Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Social Responsibility – Employment and Labour Practices – Employment
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Social Responsibility – Employment and Labour Practices – Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Social Responsibility – Employment and Labour Practices – Employment

SOCIAL		
Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Social Responsibility – Employment and Labour Practices – Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Social Responsibility – Employment and Labour Practices – Health and Safety
KPI B2.2	Lost days due to work injury.	Social Responsibility – Employment and Labour Practices – Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Social Responsibility – Employment and Labour Practices – Health and Safety
B3: Development and Training		
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	Social Responsibility – Employment and Labour Practices – Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Social Responsibility – Employment and Labour Practices – Development and Training

SOCIAL		
Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
B3: Development and Training		
KPI B3.2	The average training hours completed per employee by gender and employee category.	Social Responsibility – Employment and Labour Practices – Development and Training
B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Social Responsibility – Employment and Labour Practices – Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Social Responsibility – Employment and Labour Practices – Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Social Responsibility – Employment and Labour Practices – Labour Standards
B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Social Responsibility – Operating Practices – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Social Responsibility – Operating Practices – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Social Responsibility – Operating Practices – Supply Chain Management

SOCIAL		
Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
B5: Supply Chain Management		
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Social Responsibility – Operating Practices – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Social Responsibility – Operating Practices – Supply Chain Management
B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Social Responsibility – Operating Practices – Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Social Responsibility – Operating Practices – Product Responsibility – Quality Assurance
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Social Responsibility – Operating Practices – Product Responsibility – Quality Assurance
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Social Responsibility – Operating Practices – Product Responsibility – Intellectual Property Rights Protection

SOCIAL		
Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
B6: Product Responsibility		
KPI B6.4	Description of quality assurance process and recall procedures.	Social Responsibility – Operating Practices – Product Responsibility – Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Social Responsibility – Operating Practices – Product Responsibility – Customer Data Protection
B7: Anti-Corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Social Responsibility – Operating Practices – Anti-Corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Social Responsibility – Operating Practices – Anti-Corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Social Responsibility – Operating Practices – Anti-Corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Social Responsibility – Operating Practices – Anti-Corruption

SOCIAL		
Subject Areas, Aspects, General Disclosures and KPIs	Description	Section
B8: Community Investment		
General Disclosure	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.	Social Responsibility – Community – Community Investment
KPI 8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Social Aspect – Community – Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Social Responsibility – Community – Community Investment



**XINYI ELECTRIC STORAGE
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信義儲電控股有限公司

