

Hisense 海信科龙

海信科龍電器股份有限公司

Hisense Kelon Electrical Holdings Company Limited

Stock Code: 00921



Environmental,
Social and
Governance Report

2016

CONTENTS

INTRODUCTION OF REPORT	2
COMPANY PROFILE	3
ENVIRONMENTAL PROTECTION	4
CARING STAFF	6
OPERATING WITH INTEGRITY AND PRODUCT MANAGEMENT	8
SOCIAL WELFARE	10
GUIDE AND INDEX OF THE REPORT	11

2016 Environmental, Social and Governance Report

INTRODUCTION OF REPORT

I. SCOPE OF REPORT

Organization scope of report: This report covers Hisense Kelon Electrical Holdings Company Limited and its holding subsidiaries.

Reporting period: From 1 January 2016 to 31 December 2016.

Reporting cycle: The issuing time of this report is not exceed three months after the issue of 2016 annual report of the Company.

II. PREPARATION BASIS OF REPORT

This report is prepared in compliance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited.

III. PUBLICATION OF REPORT

This report is published in electronic format, which is available for inspection at www.hkex.com.hk or www.kelon.com.

IV. DESCRIPTION OF REFERENCES

For easy reference and reading, “Hisense Kelon” and the “Company” are referred to as “Hisense Kelon Electrical Holdings Company Limited” in this report.

V. CONTACT

The Securities Department of Hisense Kelon Electrical Holdings Company Limited

Tel: +86 757-28362148

Address: No. 8 Ronggang Road, Ronggui Street, Shunde District, Foshan City, Guangdong Province

2016 Environmental, Social and Governance Report

COMPANY PROFILE

Hisense Kelon Electrical Holdings Company Limited (the “Company”) is one of the manufacturers of white household electrical appliances in the People’s Republic of China (the “PRC” or “China”), with three brand names, namely “Hisense”, “Kelon” and “Ronshen”, which have been appraised as “Well-known Trademarks in China”. Founded in 1984 and headquartered in Shunde District, Foshan City, Guangdong Province, the PRC, the Company is principally engaged in the production of white household electrical appliances such as refrigerators, air-conditioners, freezers and washing machines.

In 1996 and 1999, the shares of the Company were listed on the main boards of The Stock Exchange of Hong Kong Limited (Stock code: 00921) and the Shenzhen Stock Exchange (Stock code: 000921) respectively.

The manufacturing bases of the Company are located in Guangdong Shunde, Shandong Qingdao, Jiangsu Yangzhou, Zhejiang Huzhou, Sicuan Chengdu and other domestic cities. The products of the Company are exported to more than 130 countries and regions to fully meet the needs of consumers from different countries and regions.

The Company adheres to its core philosophy of “relying on technology and talents of its people to build up the Company”, and makes “technology” to be the primary driving force for the Company’s development. To take “smart” and “green” as the core, the Company continues to pursue the depth of research and development, enhance continuously the ability of in-house innovation, and build the Company’s core competitiveness. The Company has set up the first-class research and development institutions, including state-level enterprise technology center, the enterprise post-doctoral research station, the state-accredited laboratories, the key engineering and technology research and development center of Guangdong Province, and has a leading research and development team comprising thousands of research and development staff. The Company always adheres to continuously enhance the ability of in-house innovation, and strive to improve its product performance and intelligent level, so as to strengthen the market competitiveness of its products and the Company’s core competitiveness to provide strong technical support for the Company’s industrial upgrading.

ENVIRONMENTAL PROTECTION

I. ESTABLISH A SOUND ENVIRONMENTAL MANAGEMENT SYSTEM AND BUILD A LONG-TERM EFFECTIVE MECHANISM FOR ENVIRONMENTAL MANAGEMENT

During the reporting period, Hisense Kelon closely combined the work of energy conservation and emissions reduction with its corporate operation strategy in strict compliance with Atmospheric Pollution Prevention Law of the PRC, Water Pollution Prevention Law of the PRC and other relevant laws and regulations to further improve the environmental management system, specified job responsibilities and detailed appraisal rules, strengthened supervision and management over the operation of environmental protection facilities and regulated environmental protection work, with a view to improving the environmental protection awareness of the Company as a whole.

Environmental Management System

The Company continues to reinforce environmental management on the basis of up-to-standard discharge of manufacturing enterprises and “three simultaneous” of environmental protection for construction projects, strives to build a long-term effective mechanism for energy conservation and emissions reduction, so as to achieve sustainable development. The ISO14001 environmental management system of the Company passed the annual supervision and verification of certification authority in November 2016, which assured the certification remained valid.

Assume Environmental Protection Responsibility

The Company has implemented enterprise environmental protection system in an all-round way. Each plant is equipped with specialized personnel for environmental protection, and an environmental protection responsibility statement is signed by all levels of management to achieve “fixed personnel, responsibilities, tasks and fixed rewards and punishment” and to make environmental protection management cover all operation posts and all staff.

Strengthen Energy Management

The Company has further strengthened energy management. By establishing an energy management system, manufacturing enterprises have tightened control over the energy-consumption index of main working procedures to complete the energy efficiency monitoring work on key energy-consuming equipment and facilities. In addition, each unit has established a sound control index to perfect energy index appraisal and energy efficiency benchmarking system. The Company encourages its subordinate enterprises to increase the use of clean energy to promote the establishment of a sufficient, safe and clean energy supply system and quicken the pace of building a resource-saving and eco-friendly enterprise.

II. STRENGTHEN THE MANAGEMENT OF THREE WASTES TO BUILD AN ECO-FRIENDLY ENTERPRISE

In 2016, the Company increased the investment in energy conservation and emissions reduction and implemented several technical innovation projects in this regard. It focused on the management of wastewater, carbon emission and waste, and further advanced the establishment of an eco-friendly enterprise, which effectively pushed the Company forward to make new achievements in energy conservation and emissions reduction.

Wastewater Management

The Company proactively facilitated the implementation of water-saving projects as well as the nearby recycling of process wastewater, and carried out water conservation in the Company in the principles of “source reduction, process control and end treatment”.

Besides, the Company required its subordinate companies involved in process wastewater discharge to set up wastewater recycling and treatment stations to ensure their up-to-standard discharge. At the same time, measures such as the nearby recycling of process wastewater were actively implemented to constantly improve the recycling rate of process wastewater in the plant and keep reducing the consumption of new water.

Propaganda and Education of Environmental Protection

In 2016, the Company continued to reinforce the propaganda and education on energy conservation and consumption reduction, actively conducted environmental protection training and normal emergency drill and increased efforts in the publicizing and implementation of new Environmental Protection Law and relevant systems by forms of organizing expert lectures, setting up environmental protection column, etc., striving to enhancing the legal sense and awareness of environmental protection of cadres and workers.

2016 Environmental, Social and Governance Report

Green Office

To implement the concept of sustainable development, the Company proactively guides its subordinated enterprises to carry out green office. The Company advocates to save resources and energy, reduce pollutant emissions, use and recycle renewable products, and upholds the idea of people first and harmonious office to actively create a green and comfortable office environment for its staff.

Saving paper: make full use of network office, advocate double-sided printing of documents and sort out and recycle usable paper on a regular basis.

Saving electricity: stipulate the operating specifications on electric appliance in the office, for example, turn off lamps in the office during noon break, switch off the power supply of all electrical equipment after work and purchase energy-saving and environment-friendly products.

Saving water: set up water-saving regulations, use recyclable teacups and hot water as much as possible and reduce disposable bottled drinking water during meetings and group activities; post slogans like “saving water” in corridors and washrooms of the office to intensify energy-conservation consciousness. Focus on water resource facilities and strengthen drinking water safety.

Comfortable environment: advocate the planting of green plants in the office to purify air and reduce air pollution.

Carbon Emissions Management

According to the Joint Announcement on Climate Change, China promises that the proportion of non-fossil energy to the primary energy consumption will increase by around 20% by 2030. The outline of the 13th Five-year Plan confirms that the carbon emissions per unit of GDP will decrease by 18% in the next five years. We'll control both the total energy consumption and carbon intensity, and implement near-zero carbon emission demonstration projects. We'll launch a national carbon emissions trading market and increase forest carbon sink significantly. Under this context, the Company will face more pressure and opportunities in respect of carbon emissions.

In 2016, the Company took active actions to reduce greenhouse gas emissions; continued to decrease total energy consumption and the absolute amount of carbon emissions; constantly adjusted energy structure to increase the use of clean energy such as natural gas and cut down carbon emissions; vigorously implemented clean production to improve the efficiency of energy utilization and cost effectiveness. Several subordinated enterprises passed clean production audit. The Company also improved its management level of carbon emissions through technical measures such as energy audit and carbon calculation.

Waste Management

Emissions reduction: The Company and its subordinated enterprises tried to reduce the amount and volume of solid waste through various means and decrease the output of solid waste by continuously improving production process. The Company implemented hazard-free disposal of waste and engineering treatment to meet the standard that does no harm to human health, so as to reduce secondary pollution.

Cyclic utilization: The Company and its subordinated enterprises continuously facilitated the recycling treatment, recycle useful constituent and energy from the solid waste to cut down resource consumption and speed up the recycling utilization of resources.

Hazardous waste management: The Company and its subordinated enterprises carried out the principles of classification management and centralized treatment of hazardous waste to achieve the reduction, recycling and bio-safety, established a sound hazardous waste management system, took measures to prevent hazardous waste from polluting the environment, conducted separate collection and storage of hazardous waste and set up relevant marks, and regularly left the collected hazardous waste to qualified unit for treatment according to environmental protection regulations to avoid environmental pollution.

CARING STAFF

I. EMPLOYMENT AND LABOR SYSTEM

The Company strictly adheres to the Labor Contract Law of the People's Republic of China and other employment regulations and policies. We are committed to employment equality, and providing a fair, democratic, competitive and merit-based selection and employment mechanism for staffs, and signs labor contracts according to the law to define rights and obligations.

Any employment discrimination behavior in any form is prohibited and there are no cases of child labor employment, forced labor employment, etc.

Labor system: The labor system of the Company is established in accordance with the Labor Contract Law of the People's Republic of China, which conforms to the requirements of laws and regulations. The Company also provides guidance for its staff according to relevant laws and regulations all the time.

Employment system: Almost all the employees employed by the Company are from China. The Company strictly complies with the requirements of the labor law of China, and there are no cases in violation of relevant laws and regulations.

1. Wages and related welfare are paid on time, and there are no occurrences of default in the payment of employees' wages.
2. Statutory holidays and statutory paid leaves are implemented pursuant to the regulations of the State.
3. Equal employment is adopted and all staff are treated equally. The employment, welfare treatment and promotion of employees are not affected by factors such as their nationality, gender and political faction.
4. Pursuant to the labor law, annual salary system or working hour system is carried out according to different job natures.

II. DEVELOPMENT AND TRAINING

The Company has always adopted the employment way of "selection-employment-cultivation-promotion-retaining". Training modes such as "mold trainings", "rotational internship", and "fixed-post practice" are organized for new employees, while "internal and external trainings", "projects and topics exercise", "job rotation" and other modes are designed for existing employees, so as to help them to transit from elementary, intermediate to senior management personnel, and enable them to keep improving their quality and capabilities, thus achieving post promotion. The Company applies the dual-channel development mechanism that featured "professional promotion channel dominates and management promotion channel complements" to refrain staff with outstanding results from being burying in respect of treatment and position.

Employees and talented personnel are the basis for corporate development. The Company continued to improve its occupational training system in order to provide equal opportunities for its staff. The training system enhances the quality of its staff and their career development. The Company has established a three-tier training system, a well-rounded curriculum system and a training regulatory system. The Company has also actively promoted the building up of teacher resources internally and externally in order to effectively support the development of its management and technical team and improve its human resources. Every year, the Company will formulate education and training programs for employees based on the annual operational strategy and human resources development needs.

In 2016, the Company has provided 9,528 overall course hours to a total of 94,458 participants. The courses mainly included areas such as corporate management, quality craftsmanship, corporate culture, production and manufacturing, as well as technological research and development and they are provided for employees at different levels, ranging from base level staff responsible for works such as front-line production and marketing to senior management.

III. ADHERE TO THE PHILOSOPHY OF PEOPLE FIRST TO ESTABLISH A SOUND OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM, VIGOROUSLY PROMOTE SAFE PRODUCTION STANDARDIZATION CONSTRUCTION AND ESTABLISH A LONG-TERM EFFECTIVE MECHANISM FOR SAFE PRODUCTION

Hisense Kelon upholds the concept of “people-oriented and safe development” and adheres to the safe production policy of “safety first, prevention as priorities and comprehensive treatment”. By sticking to the principle of source prevention, the Company conducts production safety throughout its production and operation activities, and establishes a double prevention mechanism of hierarchical risk control and potential hazard identification and governance to prevent risks from evolving and potential hazard from upgrading, thus resulting in the occurrence of production safety accidents. The Company follows the principles of “level-to-level management and division-based responsibility” to improve and implement safety production responsibility system. The Company carries out safety production responsibility system among all the staff. The legal representative is the first person responsible for production safety. Main technical officials are responsible for the decision-making of production safety technology and have commanding rights thereof, strengthening production safety responsibility of department and implementing double duties for one post.

In respect of management mode, the Company applies modern scientific management mode, establishes, improves and operates occupational safety and health management system throughout the Company, vigorously promotes safety production standardization construction to ensure the safe and up-to-standard production and operation process so as to provide a healthy and safe working environment for all the staff of the Company.

Hisense Kelon has established a sound occupational health and safety management system. 44 production safety management systems are formulated at the headquarter level according to relevant national laws and regulations, and the equipment and facilities of its subordinate factories all have corresponding safe operation rules in place. In 2016, the Company invested a total of more than tens of millions Yuan for site safety improvement and to provide employees with sufficient articles for labor protection. The occupational health and safety management system of the Company has successfully passed the annual supervision and verification of the certification authority, China Academy of Safety Science and Technology, in early November 2016, which assured the persistent effectiveness of the certification of Hisense Kelon.

According to the requirements of relevant document by the State Administration of Work Safety, Hisense Kelon has vigorously facilitated the establishment of A Grade Safe Production Standardization Enterprise, constantly intensified the basic management of production safety and increased the intrinsic safety of equipment and facilities, so as to create a safe, healthy and comfortable working environment for staff. Its 7 factories obtained the national “A Grade Safe Production Standardization Enterprise Certificate” (一級安全生產標準化企業證書) in 2014. In 2016, its two new subordinate enterprises completed the construction and application for A Grade Safe Production Standardization Enterprise.

OPERATING WITH INTEGRITY AND PRODUCT MANAGEMENT

I. OPERATING WITH INTEGRITY

The Company holds the opinion that integrity and commitment, operating in compliance with laws and regulations are a kind of competitiveness and has always adhered to the principle of operating with integrity. With the hope that all staff of the Company can practice the core value of “honesty, integrity, practicability and progressiveness” and to make sure that the interaction between the Company and its stakeholders (including customers, staff, shareholders, suppliers, distributors, government, media and society) can abide by honesty and trustworthiness and in compliance with law and regulation, the Company formulated the Code of Integrity and made it as the fundamental law of the Company and the basics that needed to be followed. We have no tolerance for any behavior in violation of the Code of Integrity, and those violators will be brought to severe punishment in accordance with rules and regulations.

The Code of Integrity applies to all staff of the Company and they should strictly comply with the Code of Integrity involving shareholders, staff, customers, partners, government and society.

II. SUPPLY CHAIN MANAGEMENT

The Company has set up a threshold for the selection of new suppliers that need to possess Environment Management System Certification, and the raw materials and spare parts provided to the Company by them must conform to the requirements of ROHS Regulations (namely, the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations by the European Union. The core content of ROHS Regulations is to prohibit the use of hazardous substances in electrical and electronic equipment to protect environment, provide green consumption and achieve hazard elimination in the two areas of production and consumption.) and REACH Regulations (namely, “Registration, Evaluation, Authorisation and Restriction of Chemicals, a set of regulations concerning the registration, evaluation, authorization and registration of chemicals) must be complied with.

The Company conducts appraisal and assessment on suppliers on a regular basis and monitors the environmental system of suppliers, strengthens daily incoming quality control to make sure abnormal goods are returned, examined and requires relevant suppliers to make improvement. The Company applies the survival of the fittest system to suppliers, and will weed out inferior suppliers and introduce new ones according to the results of the regular appraisal and assessment, so as to ensure a steady and reasonable supplier structure.

III. PRODUCT RESPONSIBILITY MANAGEMENT

(i) Product Quality Responsibility

By upholding the quality concept of “quality cannot prosper, but is enough to decline an enterprise as a whole”, the Company has established and implemented a strict quality control and inspection system over its products. In order to enhance the standard of products and services, the Company has implemented a “guaranteed return and replacement within 30 days” return policy for all its household electrical appliances.

The Company has always focused on the exploration and research of advanced technology of the industry and insists on making technological innovation based on customer needs. The Company’s original DBD purification technology that performs the functions of hydrating, anti-bacteria and purification has a complete machine bacterial eliminating rate as high as 99.8% after the inspection and certification of China Quality Certification (CQC) Organization, which serves to protect the healthy life of consumers.

(ii) Product After-sale Responsibility

To make customers have a clear understanding of the function, operation and after-sale services of the products of the Company, in addition to an explicit explanation given by shopping guides in the process of marketing products, a Product Specification is equipped with the products sold for the easy reference of customers at any time.

Furthermore, the Company has established a service management system that meets quality system standards in the whole process from hotlines, information, service network, technology, spare parts, three guarantees and quality to satisfy the service requirements of market users at all levels in an all-round way.

2016 Environmental, Social and Governance Report

(iii) Data Privacy

The Company has established stringent measures to protect the operational data of the Company and the privacy of our customers which ensure the confidentiality of the operational data of the Company and the information of our customers.

IV. ANTI-CORRUPTION

The Company has been committed to creating an upright and clean corporate atmosphere, and deeply implemented integrity and self-discipline and Eight Regulations among the cadres and staff of the Company. It has required that cadres at all levels should practice strict economy and combat waste from materials purchasing, production and manufacturing as well as marketing management to set a good example of being honest and self-disciplined.

To ensure employees a clear understanding and compliance with the relevant requirements regarding anti-corruption, and thus maintaining a high moral standard, new employees have to sign an Integrity and Self-discipline Responsibility Statement when they start to take work, promising that they will “ practice integrity and self-discipline and resolutely eradicate personal corruption”.

The Company explicitly requires that “No one is permitted to trample on and destroy the upright and clean corporate atmosphere”. Anyone involved in violations of law and discipline will be subject to judiciary proceedings. The Company is determined to combat corruption and safeguard a clean and incorruptible atmosphere.

SOCIAL WELFARE

The Company is always keen on the welfare activities while pursuing its corporate development for return to society. In 2016, the Company actively supported the education by inviting teachers and students of Beichuan Hisense Chenjiaba Primary School to participate in the “Studying, Watching the Sea and the World” activity in Qingdao, and at the same time by setting up the “Watching the Sea Scholarship” to subsidize outstanding student representatives.



The Company is enthusiastic about social welfare activities, it has sponsored the Half Marathon organized by the Shunde Rongui government for 29 consecutive years, which attracted around 10,000 marathon lovers from all parts of the PRC to participate in the competition.



In addition, the Company actively responded to the call of the local government to promote employment, carried out the school-enterprise cooperation, set up Shunde college students practice base to receive a large number of local graduates for internship and employment.

2016 Environmental, Social and Governance Report

GUIDE AND INDEX OF THE REPORT

The Company has complied with the provision of “Non-Compliance and Explanation” as set out in the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited. The following table reports the summary of compliance.

Areas, Aspects and Key Performance Indicators (KPIs)	Provision of “Non-Compliance and Explanation”	Reference to page no.
A. Environment		
Aspect A1		
General disclosures	(a) The policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, in respect of air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	4-5
KPI A1.1	Types of emissions and related emission data.	Not applicable
KPI A1.2	Total emissions and density of greenhouse gas.	Not applicable
KPI A1.3	Total amount and (if applicable) density of hazardous waste generated.	Not applicable
KPI A1.4	Total amount and (if applicable) density of non-hazardous waste generated.	Not applicable
KPI A1.5	To describe measures to reduce emissions and results achieved.	4-5
KPI A1.6	To describe the methods of handling hazardous and non-hazardous wastes, measures of reducing the quantity of production and results achieved.	4-5
Aspect A2		
General disclosures	The policies of using effectively resources (including energy, water and other raw materials).	4-5
KPI A2.1	Total direct and/or indirect energy consumption and density by types.	Not applicable
KPI A2.2	Total water consumption and density.	Not applicable
KPI A2.3	To describe the energy use efficiency initiatives and results achieved.	4-5
KPI A2.4	Description of any problems in obtaining the applicable water supply and enhancement of the water consumption efficiency initiatives and results achieved.	4-5
KPI A2.5	Total amount of package materials used in the finished product and (if applicable) the amount per unit of production.	Not applicable
Aspect A3		
General disclosures	The policies of reducing significant impact of issuer on environment and natural resources.	4-5
KPI A3.1	To describe the significant impact of business activities on the environment and natural resources and the actions which have been taken for managing such impacts.	4-5

2016 Environmental, Social and Governance Report

Areas, Aspects and Key Performance Indicators (KPIs)	Provision of “Non-Compliance and Explanation”	Reference to page no.
B. Society		
Aspect B1		
Employment		
General disclosures	(a) The policies; and (b) compliance with relevant laws and regulations which have a significant impact on the issuer, in respect of remuneration and dismissal, recruitment and promotion, hours of work, holidays, equal opportunities, diversification, anti-discrimination and other treatments and benefits.	6
Aspect B2		
Health and Safety		
General disclosures	(a) The policies; and (b) compliance with relevant laws and regulations which have a significant impact on the issuer, in respect of provision of safe working conditions and protection of employees against occupational hazards.	7
Aspect B3		
Development and Training		
General disclosures	Policies on knowledge and skills to enhance employees’ performance of duties with description of training activities.	6
Aspect B4		
Labour Standards		
General disclosures	(a) The policies; and (b) compliance with relevant laws and regulations which have a significant on the issuer, in respect of prevention of child labour or forced labour.	6
Aspect B5		
Supply Chain Management		
General disclosures	Environmental and social risk policies to manage the supply chain.	8
Aspect B6		
Product Responsibility		
General disclosures	(a) The polices; and (b) compliance with relevant laws and regulations which have a significant impact on issuer, in respect of health and safety, advertising, labeling and privacy matters and remedial methods for products and services provided.	8-9
Aspect B7		
Anti-corruption		
General disclosures	(a) The policies; and (b) compliance with relevant laws and regulations which have a significant impact on issuer, in respect of prevention of bribery, extortion, fraud and money laundering.	9

2016 Environmental, Social and Governance Report

Areas, Aspects and Key Performance Indicators (KPIs)	Provision of “Non-Compliance and Explanation”	Reference to page no.
Aspect B8 General disclosures	Community Investment The policies on understanding of needs of community in which it operates by community involvement, and ensuring that its business activities would take into account community interests.	10