

Gold Peak Industries (Holdings) Limited

金山工業(集團)有限公司

Incorporated in Hong Kong under the Companies Ordinance
Stock Code: 40



Environmental, Social and
Governance Report
2016/2017

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Introduction

Gold Peak Group is committed to protecting the environment and being socially responsible to its stakeholders which include its employees, suppliers, customers, shareholders and the communities. The Group values stakeholders' views and actively collaborates with stakeholders in order to achieve its objectives towards sustainable development.

The Group continued to provide resources in protecting environment and promoting health and safety in workplace. The Group has organized and participated in various social caring events such as blood drive, charity fundraising, and cleaning campaign in coastal areas during the year.

During the year ended 31 March 2017, the Group received a number of awards in recognition of its efforts in protecting the environment. As a socially responsible organization, GP Batteries International Limited ("GP Batteries") has met the standard of ISO26000 and received the "CSR Advocate Mark" from Hong Kong Quality Assurance Agency ("HKQAA") for the fourth year to recognize its commitment in practising good social responsibilities (see Figure 1). Two factories were awarded the "Shenzhen Corporate Social Responsibility Rating Certificate" from the Shenzhen Corporate Social Responsibility Promotion Association in recognition of their fulfillment of social responsibility in the development and production of batteries (see Figure 2).



Figure 1. "CSR Advocate Mark" from HKQAA

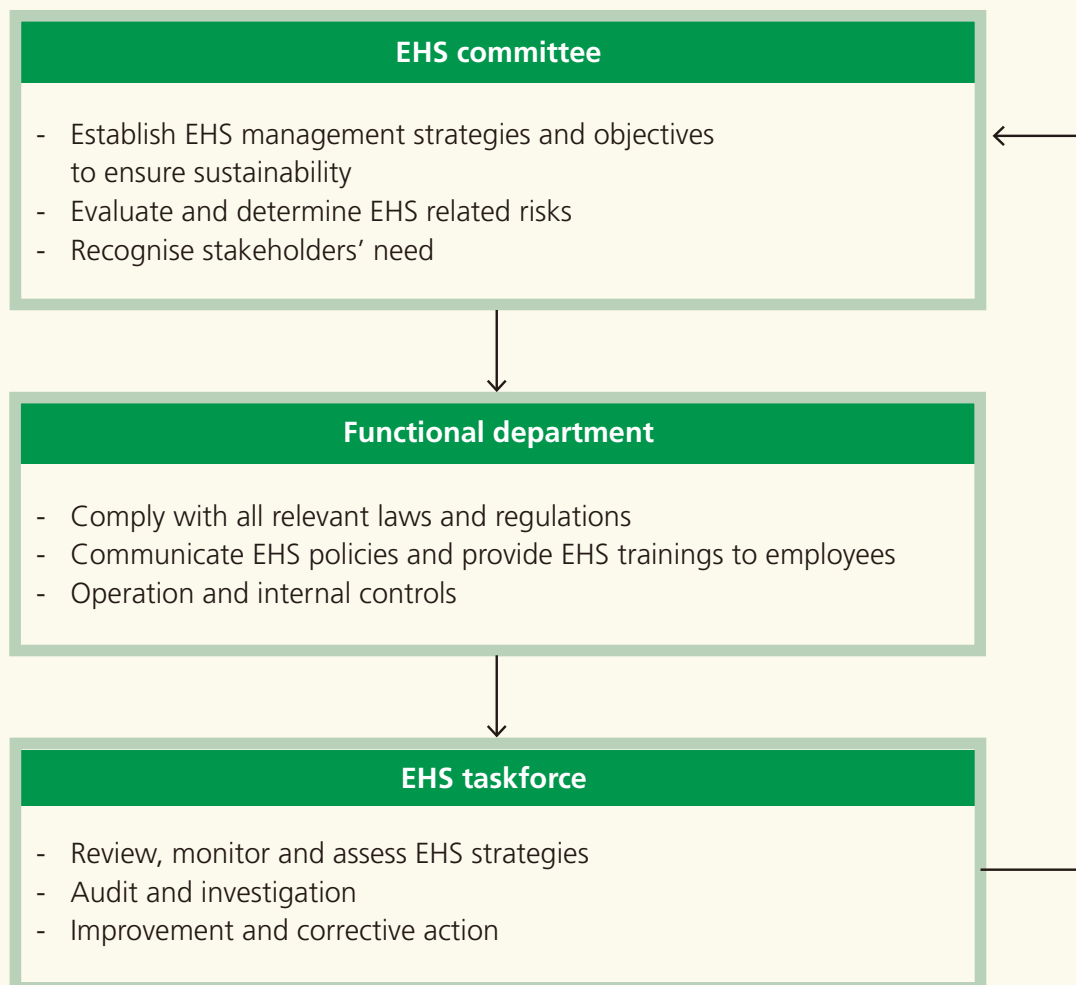


Figure 2. Shenzhen Corporate Social Responsibility Rating Certificate

EHS Management Approach

The Group is principally engaged in investment holding and development, manufacturing, marketing and trading of batteries, electronics and acoustics products, and automotive wire harness. In order to evaluate and determine environmental, health and safety ("EHS") related risks pertinent to its business, the Group has established an EHS committee. Its members include senior management and staff members from relevant business units and departments. The committee sets up policies and ensures appropriate and effective EHS risk management and internal control systems are in place. The committee reviews, monitors and assesses its EHS strategies to ensure that EHS goals and targets are met (see Figure 3).

Figure 3. EHS Management Approach



During the year ended 31 March 2017, the Group complied with all relevant laws and regulations that have a significant impact on the Group relating to EHS issues. The Group strives for continual improvement in its EHS policies and programs to ensure sustainability.

Scope of Report

As part of the Company's annual reporting exercise, this ESG report provides a review of the Group's ESG performance for the year ended 31 March 2017. The report covers the ESG performances of the major manufacturing plants of GP Batteries and GP Industries Limited ("GP Industries"). It should be read in conjunction with the Company's 2016-2017 annual report, in particular the Corporate Governance Report which is set out on pages 24 to 30 of the annual report.

Environmental Protection

The Group adopts an EHS policy which is committed to maintaining a climate of awareness and the development of EHS management systems such that continuous improvements and the resultant benefits on environmental protection, health and safety of employees, customers and the public are assured.

The Group meets its responsibility by establishing, maintaining and enforcing such systems so as to achieve the required level of performance, to comply with relevant legislations and approved codes of practice at its operations, and also through continuous efforts to eliminate and reduce hazards that may be identified.

Workplace environment, manufacturing processes, machine installations, electrical systems, packaging, product design and environmental protection are included in the EHS management system. Necessary trainings are provided to all employees including management personnel, factory workers and office staff members.

Audit procedures are implemented to verify and determine the effectiveness of the EHS management system. Trained officers are responsible for such audits and they lead the audit team. Any non-conformance when identified shall be reported together with requirements for preventive and corrective actions.

Emissions and Wastes

It is the Group's environmental policies to reduce wastes and control emissions through implementation of various measures. The Group has formed teams to deal with wastes and emissions. The teams manage programs to cut down emissions, hazardous and non-hazardous wastes. Proper treatment of industrial waste water and hazardous wastes has been put into practice.

During the year ended 31 March 2017, the Group complied with all relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.

The Group's factories have been accredited with ISO14001 (see Figure 4). The accreditations demonstrate that the Group has established an effective management system to control and manage hazardous substances.

Figure 4. ISO14001 Accreditations



Four factories in China were named “EcoChallenger/EcoPartner” of the BOCHK Corporate Environmental Leadership Awards by Federation of Hong Kong Industries to recognize their contribution and achievement in environmental protection and minimizing pollutions in the Pan Pearl River Delta Region (see Figure 5).

Figure 5. BOCHK Corporate Environmental Leadership Awards



The Group believes that environmental protection is an important issue in operation. It strives to maintain green operations and develop products that help to enhance low carbon society, minimize environmental impacts and achieve sustainable development.

In December 2016, a number of the Group’s subsidiaries received the “Hong Kong – Guangdong Cleaner Production Partner (Manufacturing)” and “Hong Kong – Guangdong Cleaner Production Partner (Supply Chain)” awards jointly presented by the Economic and Information Commission of Guangdong Province, China and the Environment Bureau of Hong Kong (see Figure 6).

Figure 6. "Hong Kong – Guangdong Cleaner Production Partner" Awards

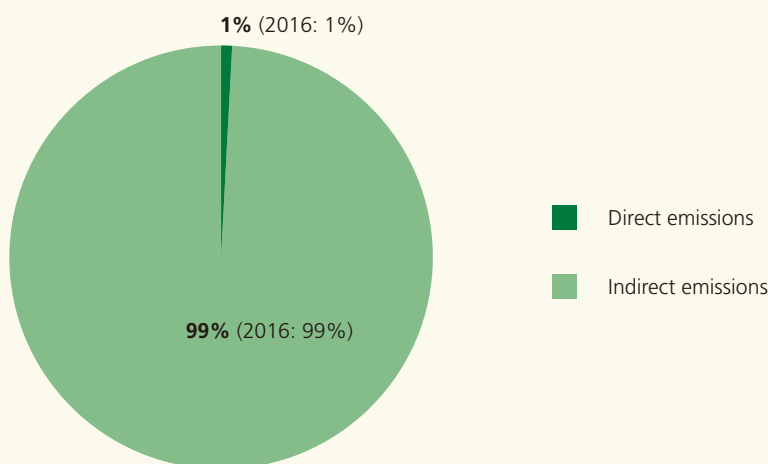


Emissions

Green house gas emission of the Group is mainly Carbon Dioxide ("CO₂") which arises from the use of diesel generators and vehicles. The Group monitors its greenhouse gas emission regularly and controls the use of diesel generator in order to lower CO₂ emissions. For the year ended 31 March 2017, direct CO₂ emissions accounted for 1% (2016: 1%) of the total CO₂ emissions of the Group's factories (see Chart 1).

The Group implements energy-saving plans to reduce energy usage and CO₂ emissions. As the use of electricity is the major contributor to indirect CO₂ emissions, the Group monitors its use of electricity and makes every effort to reduce indirect CO₂ emissions by using electricity efficiently.

Chart 1. CO₂ Emissions for the Year ended 31 March 2017
Total CO₂ emissions: 51,226 tons (2016: 50,799 tons)



Note:

- Direct CO₂ emissions caused by the use of fossil fuels (e.g., diesel generators and vehicles)
- Indirect CO₂ emissions mainly caused by the use of electricity and paper.

Apart from complying with legal and regulatory requirements and observing the permissible level for discharge of atmospheric pollutants specified in the emission standard in Guangdong Province (DB44/27-2001), the Group is committed to improving its environment policy to reduce wastes and control emissions.

Emissions of batteries business are mainly dust and sewage containing nickel and manganese which are generated during the production of electrodes. The Group regularly monitors and maintains the intensity of such emissions to a safety level. Filtering, ventilation and effluent treatment systems are installed to mitigate the environmental impact.

The intensity of emissions of battery business was within the permissible limits of national emission standard of pollutants for battery industry in Mainland China during the year ended 31 March 2017.

Emissions of electronics business mainly arise from the use of glue during production. During the glue curing, the solvents of glues or chemical gaseous such as toluene and xylene will be evaporated or emitted. Commonly used solvents in glue are classified as preferred, usable and undesirable. Most of the solvents used by the Group fall into the first two categories and none fall under the undesirable category. Based on the solvent composition, the air emission risk of using glue is classified as high, medium and low. The Group regularly monitors and maintains the air emission risk of using glue to a safety level.

During the year ended 31 March 2017, the intensity of air pollutants generated by the Group decreased as the Group had reduced the use of high-risk solvents such as toluene and xylene. Alternatives to petroleum based products such as water based systems, gels and solvent substitutions were used. The Group had also adopted resistance welding in lieu of soldering for some products. The Group has strived to eliminate the use of toxic chemicals and opted for natural substitutes.

Wastes

The Group implements standardized management of hazardous wastes. Hazardous wastes include mainly sewage containing oil and paints, cotton, cloth linen, resin and organic wastes. All hazardous wastes are disposed of in accordance with requirements of standardized management of hazardous wastes. All hazardous waste labels are standardized in order to reduce non-standardized collection of hazardous wastes. The production, collection, storage and handling of hazardous wastes have been properly managed in order to reduce the negative impacts towards soil, water and air.

Non-hazardous wastes are classified as non-recyclable and recyclable wastes. Non-recyclable wastes are collected and disposed of by garbage collection companies. Recyclable scrap parts such as cardboards together with solder oxide wastes and copper wire scraps are collected and sold to recycling companies.

The Group enhances conservative and efficient use of resources through automation. It adopts cleaner production practices and preventive measures throughout the whole lifecycle of its products in order to minimize environmental impact and pursue growth and sustainability. Production and operation processes are reviewed and analyzed to identify environmental friendly and cost-effective technology so as to reduce emissions, usage of hazardous materials, energy consumption and wastes production.

Use of Resources

The Group engages in energy efficiency practices and strives to reduce energy consumption to alleviate effects on global warming. Air-conditioning, electricity and water conservation have been closely tracked and reviewed to maintain a lean and efficient operation. Water used in certain production plants is recycled for watering, toilet flushing and manufacturing.

Green building concept has been employed by the Group to reduce energy consumption in its factories. This includes using natural lighting from roof window and courtyard glass, installing utilities underground to have more headroom, using glass as partition as much as possible, replacing various light sources with LED tubes and using solar energy for certain lighting systems.

The Group strengthens its staff members' awareness on electricity saving and water conservation by education. Energy efficiency of equipment is considered in capital investment. For development of production equipment, the Group adopts energy-saving technology and uses energy-effective components. The Group regularly monitors its water consumption. Water-saving washing facility is used. Water supply facilities and equipment are properly maintained. There is no issue in sourcing water that is fit for the Group's manufacturing purpose.

Product packaging is constantly reviewed in order to reduce material usage and minimize the impact on the environment. Packaging materials are mainly cartons, cardboards and blisters. The Group uses eco-friendly packaging materials for finished products. While giving adequate protection of products being shipped, the Group strives to avoid excessive packaging design as well.

Information of electricity consumption, water consumption and packaging material usage of the Group for the year ended 31 March 2016 and 2017 is set out in Table 1.

Table 1. Electricity Consumption, Water Consumption and Packaging Materials Usage

	For the year ended 31 March			
	2016		2017	
	Total	Intensity	Total	Intensity
Electricity consumption	74 million kWh	0.013 kWh per HKD sales	79 million kWh	0.014 kWh per HKD sales
Water consumption	611 million litres	0.105 litres per HKD sales	580 million litres	0.100 litres per HKD sales
Packaging materials usage	2,474 tons	0.427 tons per million HKD sales	2,553 tons	0.438 tons per million HKD sales

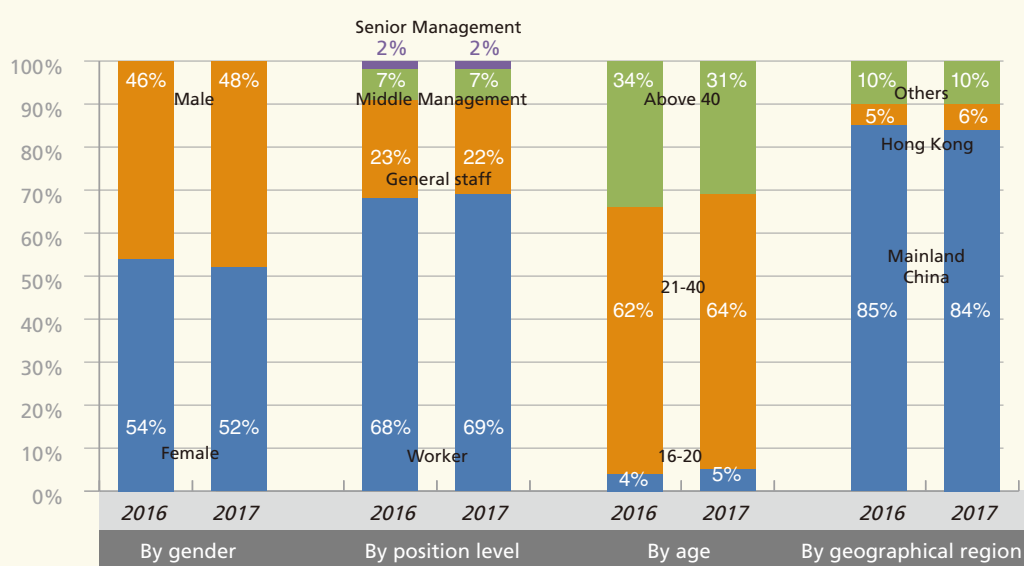
It is the Group's policy to improve its operations and minimize the adverse impact on the environment and natural resources. The environmental risks related to safety, health hazard or environmental legislations are being assessed and mitigated during the design and development of its products. Pre-development support teams are formed as early as in the concept phase to review the products' design-for-manufacturability and environmental impact.

Social Responsibilities

Human Resources

As at 31 March 2017, the Group was supported by a motivated workforce of approximately 8,200 people (2016: 8,250 people) worldwide. The Group adopts a policy of equal employment opportunities to ensure that every job applicant and employee has equal employment and promotion opportunities. Personal capability and suitability are the bases for consideration. The Group strives to ensure that everyone works in an environment free of discrimination and harassment. The Group's workforce structure as at 31 March 2017 is set out in Chart 2.

Chart 2. Workforce Structure as at 31 March 2017
Total workforce as at 31 March 2017 : 8,200 people (2016: 8,250 people)



The Group considers its employees the most valuable asset and offers them fair and competitive remuneration packages. Discretionary incentives are granted to eligible employees based on the performance of the Group and contribution of individual employees. Retirement schemes are offered as part of the remuneration package. Remuneration policies and packages are reviewed regularly to ensure that compensation and benefits are in line with the market of each territory, thus helping the recruitment and retention of talents.

The Group invests in employees through development programs to enhance their soft and hard skills as well as work competence in preparation for their career development. Employees participated in various workshops and training sessions on laws and regulations, management and leadership skills, as well as language and communication during the year ended 31 March 2017.

In January 2017, GP Batteries was awarded the "Hong Kong Most Admired Knowledge Enterprise (MAKE) Award 2016" by The Hong Kong Polytechnic University and Knowledge Management and Innovation Research Centre to recognize its achievement in knowledge management in operations. (see Figure 7).

Figure 7. Hong Kong Most Admired Knowledge Enterprise Award 2016

During the year ended 31 March 2017, the Group complied with all relevant laws and regulations that have a significant impact on the Group relating to compensation and benefits, recruitment and promotion, working hours, holidays, dismissal, social insurance, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

In 2015 and 2016, the Group moved its headquarters to Hong Kong Science Park which provided a better working environment for networking and creativity as well as better views with fresh air. Connecting shuttle services have been provided for the convenience of employees.

Health and Safety

It is the Group's policy to provide its employees with a safe and healthy working environment. The Group continuously improves its working conditions to prevent industrial accidents and occupational diseases in order to protect health of its employees. Health and safety standards for all employments such as working procedures, machine operating standards, and hazardous materials and wastes handling guidelines are defined and communicated to employees. Such standards are regularly reviewed for corrective and improvement actions. Safety and occupational health courses are included in orientation program for new employees in production plants. Training courses on the authentication of SA8000, first aid, proper use of hazardous and chemical materials, etc. are held. Child and forced labour are strictly prohibited in the Group.

The Group uses OHSAS 18001 as a framework for its occupational health and safety management system in order to create the best possible working conditions for employees and prevent workplace accidents and illnesses. A number of the Group's plants in China were certified with OHSAS18001 Occupational Health and Safety accreditations (see Figure 8). A plant won the third prize in the "Shenzhen Public Health Literacy Contest" organized by the Health and Family Planning Commission Shenzhen Municipality, China in September 2016.

Figure 8. OHSAS18001 Accreditations



During the year ended 31 March 2017, the Group complied with all relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment, protecting employees from occupational hazards and prohibiting child and forced labour.

During the year ended 31 March 2017, 29 cases (2016: 35 cases) of minor workplace injury occurred which resulted in a loss of 722 working days (2016: 766 working days). There was no work-related fatality during the years ended 31 March 2016 and 2017.

Supply Chain Management and Product Responsibility

The Group has a well-established supply chain management policy to monitor the quality of its suppliers. Suppliers are qualified based on their capability to meet the product's technical and quality requirements, health, safety and environment standards and business ethics. The Group conducts random audits of its suppliers' production sites to ensure their continuous compliance with the quality and environmental regulatory requirements.

The Group is committed to producing safe and quality products. It has in place mechanisms to receive customers' feedback in order to continuously improve its products and services. During the year, a number of our international renowned customers audited some of the Group's factories and affirmed that the operations and products meet their environmental and safety expectations.

GP Batteries as an established global brand, the Group adheres to international safety standard. The Group's Hong Kong laboratory is the first and only one in Hong Kong out of six certified to UL WTDP (Witnessed Test Data Program) for UL1642, UL62133 and UN38.3 battery safety testing in China and Hong Kong. It is also the only one in Hong Kong out of five CTF (Customers' Testing Facilities – Stage 1) approved facilities for IEC62133 battery safety testing in China and Hong Kong (see Figure 9).

Figure 9. GP Batteries' Laboratory in Hong Kong



During the year ended 31 March 2017, the Group complied with all relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters on products and services provided and methods of redress.

The Group has developed and implemented quality control systems towards hazardous substances in manufacturing processes to ensure all operations comply with relevant laws and regulations. Laboratories are established to control product quality. A quality management system is set up in accordance with the requirements of ISO9001:2008 and ISO/TS16949:2009. When non-conforming or suspected products are shipped, quality assurance teams will notify relevant departments for containment action (including recall, rework or sorting) immediately. Sales department shall notify the customers as required so that the suspected or non-conforming products can be quarantined, recalled or returned in a timely manner. Moreover, factory teams led by quality assurance will perform the failure and root cause analyses. Prompt corrective and preventive actions will be taken accordingly to prevent similar incidents from recurring.

Most of the Group's factories have received ISO9001 accreditations, indicating the Group's ability to consistently provide products and services that meet customers' needs and applicable statutory and regulatory requirements (see Figure 10).

Figure 10. ISO9001 Accreditations



Anti-corruption

The Group is committed to preventing corruption, bribery, extortion, fraud and money laundering, as well as complying with applicable anti-corruption laws and regulations. It prohibits its employees from offering, making or receiving any bribes or kickbacks for the purpose of securing an improper business advantage, or otherwise engaging in corrupt activities or practices. During the year, seminars were arranged for employees by the Group in relation to anti-corruption laws and regulations that have a significant impact on the Group.

The Group has established a whistle-blowing policy that allows anyone to report in good faith any misconduct or malpractice without fear of reprisal through a confidential channel. If an investigation is to take place, the head of internal audit will carry out the investigative work, and then seek administrative support from the Chief Executive/Deputy Chief Executive. The Chief Executive/Deputy Chief Executive may also consider the appointment of an external party to assist the head of internal audit in performing the investigative work. The board, the audit committee and the head of internal audit will keep strict confidentiality on the informer's identity throughout the course of the investigation. Any form of disadvantage or reprisal against the informer by the Company's management or staff is expressly prohibited.

During the year ended 31 March 2017, the Group complied with all relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering. No legal case regarding corrupt practices was brought against the Group or its employees.

Privacy and Information Security

The Group strives to ensure compliance with the strictest standards of security and confidentiality. Personal data is stored securely and only authorized staff members have the right to access the data. The Group will not release the personal data of its employees, customers and suppliers to external parties without the permission of the relevant parties.

Protection of Intellectual Property

It is the Group's policy to respect intellectual property rights and not to use infringing articles in its business. The Group adopts a policy which follows the key terms of copyright regulations. It is important for employees to comply with the copyright policy in the course of their employment. Where employees knowingly use infringing copies of copyright works in the course of their employment, the employees concerned could be subject to both civil and criminal liabilities.

Community Involvement

As a responsible corporate citizen, the Group nurtures a caring culture among employees in the workplace and reciprocates to the community through participation in various community events. The Group has joined the Community Chest's Corporate and Employee Contribution Program for more than a decade. In addition, it is an active supporter of many community activities, such as Love Teeth Day, flag-selling days, visits to elderly homes, blood drives (see Figure 11), Earth Hour, Lai See Recycle Program, etc. throughout the year. In 2016, the Group has formed a team to participate in a fund-raising activity for the hearing-impaired (see Figure 12).

Figure 11. Blood Drive



Figure 12. Participation in a Fund Raising Activity for the Hearing-impaired



Since 2014, GP Batteries has been a sponsor and the sole supplier of batteries for the Hong Kong Standard Chartered Marathon. In 2017, the Group once again formed its corporate marathon team of over 240 runners comprising colleagues and their families to promote work-life balance and a healthy life (see Figure 13). Training sessions and run day on-site support were provided to help runners achieve their goals.

Figure 13. GP Marathon Team



In recognition of the Group's continuous commitment in good corporate citizenship, it has been awarded the Caring Company Logo by The Hong Kong Council of Social Service for 15 consecutive years.