



# 天臣控股有限公司 Tesson Holdings Limited

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code 股份代號: 1201

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

環境、社會及管治報告

# 2017





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## ABOUT THIS REPORT



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

### Preparation Basis and Scope

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

This Report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities which are considered as material by the Group<sup>1</sup> – the manufacturing and sales of lithium ion motive battery, lithium ion battery module, battery charging devices, battery materials machines and production lines, new energy solution and sales of relevant equipment, investment holding and import and export trading (the “**Lithium Ion Motive Battery Business**”) in the People’s Republic of China (the “**PRC**”). With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken initiative to formulate policies, record relevant data, implement and monitor measures. This Report shall be published both in Chinese and English on the website of Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

### Reporting Period

This Report demonstrates our sustainability initiatives during the reporting period from 1 January 2017 to 31 December 2017.

### Contact Information

The Group welcomes your feedback on the Report for our sustainability initiatives. Please contact us by email to [info@tessonholdings.com](mailto:info@tessonholdings.com).

<sup>1</sup> This Report only covers the continuing operations of the Group. The disposal of discontinued operations was completed on 2 January 2018. The management of the Company considers not to cover the scope of discontinued operations in this Report as the sustainable development of the Group does not include the discontinued operations.



## INTRODUCTION



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

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

# STAKEHOLDERS ENGAGEMENT



The Group recognises the importance of participations from its stakeholders. We obtain and evaluate their views on the effectiveness of our business and any significant impacts on the environment and society. We maintain a close relationship with our key stakeholders, including regulators, shareholders, employees, customers, suppliers, etc. through different communication channels in order to understand their concerns and expectations. The following table provides an overview of the Group’s key stakeholders and the various platforms of communication used to reach their expectations.

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



## STAKEHOLDERS ENGAGEMENT



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

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

### 1. GOVERNMENT

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

### 2. SHAREHOLDERS AND INVESTORS

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

## STAKEHOLDERS ENGAGEMENT



### 3. EMPLOYEES

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

### 4. CUSTOMERS

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

### 5. SUPPLIERS/PARTNERS

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

### 6. PEERS/INDUSTRY ASSOCIATIONS

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

### 7. FINANCIAL INSTITUTIONS

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

### 8. PUBLIC AND COMMUNITIES

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



## ENVIRONMENTAL ASPECTS



### EMISSIONS

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

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

#### Air Pollutants Emission

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

The Group's air pollutants mainly come from vehicle use during the reporting period. "Vehicle Management System" is in place to oversee the vehicle use to increase vehicle efficiency. The Group chooses fuel-saving vehicles with high emission standards and carry out regular maintenance on vehicles to reduce air pollutants emission.

## ENVIRONMENTAL ASPECTS



During the reporting period, the air pollutants emission of the Group is as follows:

Air Pollutants	Unit	Total
Nitrogen oxides (NO <sub>x</sub> )	kg	6.24
Sulfur dioxide (SO <sub>2</sub> )	kg	2.75
Particulate matter (PM)	kg	1.99

### Greenhouse Gas (“GHG”) Emission

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

The Group’s Lithium Ion Motive Battery Business produces lithium ion motive battery which can replace conventional vehicles that use fossil fuels with new energy vehicles. Our business can indirectly help to reduce GHG emission from conventional vehicles for environmental protection.

The GHG emission of the Group during the reporting period is as follows:

GHG Emission	Unit	Total
Scope 1 <sup>2</sup>	tonnes of CO <sub>2</sub> -e	80.64
Scope 2 <sup>3</sup>	tonnes of CO <sub>2</sub> -e	23,117.28
Total GHG emission	tonnes of CO <sub>2</sub> -e	23,197.92
GHG intensity	tonnes of CO <sub>2</sub> -e/ thousands of production unit	0.55

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

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



## ENVIRONMENTAL ASPECTS



### Waste Management

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

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

There are two major types of non-hazardous waste involved in the Group’s operation – general waste and N-Methyl-2-pyrrolidone (“NMP”). We strive to reduce non-hazardous waste at source and recycle the waste produced as much as possible. For general waste, it is handled by a cleaning company. For NMP, it is used as a solvent for electrode parathion in our lithium ion motive battery manufacturing process. During the reporting period, we upgraded our NMP recycling system to recycle and reuse the NMP. The recycling rate of NMP has increased to around 99.5%. This can reduce our annual consumption of NMP so as to save cost and eliminate waste generation.

During the reporting period, the wastes generated by the Group are as follows:

Wastes	Unit	Total
<b>Non-hazardous waste disposal</b>		
General waste	tonnes	120.51
Waste disposal intensity	tonnes/employee	0.20
<b>Non-hazardous waste recycling</b>		
NMP recycled	tonnes	50.00
Waste recycling intensity	tonnes/thousands of production unit	0.0012



### USE OF RESOURCES

The Group places a great emphasis on environmental protection to ensure efficient use of resources, including energy, water and other materials. The Group has established “Green Factory Implementation Plan” to achieve environmental protection and sustainable development. The Group aims to promote resources saving by carrying out different educational programmes to increase employees’ awareness. Resources usage is also monitored and recorded for formulating resources efficiency initiatives.

For energy, the Group’s energy consumption mainly comes from the purchased electricity and steam for manufacturing process. For energy conservation, we have implemented various energy-saving strategies. For example, unnecessary electrical appliances are switched off when they are not in use. We choose to use energy-saving equipment for manufacturing activities and reduce obsolete equipment with high-energy consumption. Regular maintenance on all electrical appliances is carried out to reduce energy consumption.

For water, it is an important natural resource. Our manufacturing process does not involve water usage as it is operated under a closed condition. In our daily business operation, we check water pipes regularly to identify any cracks or leakage. They are fixed promptly to prevent water wastage. Besides, water-saving devices are installed to restrict the water flow and conserve water.

For other materials, our Lithium Ion Motive Battery Business involves the use of paper box as the packaging materials for finished products.

Furthermore, retrofit projects have been carried out in our manufacturing sites in order to reduce energy and water consumption, as well as increasing the production efficiency. For example, inverter compressor (變頻節能空壓機) equipped with a pneumatic motor (air motor) is used to compress nitrogen gas in order to increase the production per unit time. The following table provides an overview of the results achieved from retrofit projects on other machineries in different manufacturing processes.



## ENVIRONMENTAL ASPECTS



Manufacturing Process	Machinery	Achievement
General Process	Vacuum-pumped Water Cooling System (真空泵冷卻水系統)	Reduce water consumption and maintenance cost by recirculating cooling water instead of using freshwater source
General Process	Dehumidification Drying System (除濕乾燥系統)	Reduce energy consumption by reusing waste heat energy
Paste Mixing (合漿)	Paste Mixing Machine (合漿機)	Reduce electricity consumption by reducing the mixing time from 10 hours to 4 hours
Paste Mixing	Water Tower	Reduce freshwater consumption by reusing cooling water
Assembly and Filling (裝配、注液)	Stove (烘箱機)	Reduce the battery drying time from 36 hours to 12 hours
Capacity Formation and Grading (化成分容)	Capacity Formation and Grading Machine	60%-70% of the electrical energy discharged from batteries is collected and used for recharging batteries next time

## ENVIRONMENTAL ASPECTS



During the reporting period, the consumption of resources from our operation is summarised as follows:

Use of Resources	Unit	Total
<b>Energy</b>		
Purchased electricity	MWh	22,321.90
Petrol	MWh	328.61
Steam	MWh	10,845.12
Total energy consumption	MWh	33,495.63
Energy intensity	MWh/thousands of production unit	0.79
<b>Water</b>		
Total water consumption	m <sup>3</sup>	70,847.12
Water intensity	m <sup>3</sup> /thousands of production unit	1.67
<b>Packaging material</b>		
Paper box	tonnes	127.00
Packaging material intensity	tonnes/thousands of production unit	0.0030

### THE ENVIRONMENT AND NATURAL RESOURCES

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

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



### EMPLOYMENT AND LABOUR PRACTICES

#### **Employment**

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

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

#### ***Equal Opportunities***

The Group is committed to creating a fair and equitable workplace for employees where they are all treated equally. For example, principle of equal opportunities is applied in our recruitment system. Candidates have equal opportunity for vacancies. Both internal staff and external talents are welcome to apply for positions in the Group to promote diversity. They are selected based on their performance, experience and skills to avoid any risk of favouritism and discrimination. The Group has zero tolerance to any discriminatory act or harassment in workplace based on gender, age, marital status, religion, race, nationality, disability, etc.

#### ***Competitive Employment Terms***

The Group strives to offer employees a competitive remuneration and benefit package in order to retain and motivate high performing employees. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. The Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group, which is subject to the Group's profitability. Benefits include staff accommodation, medical schemes, share option scheme, Mandatory Provident Fund for employees in Hong Kong and state-sponsored retirement plans for employees in the PRC.

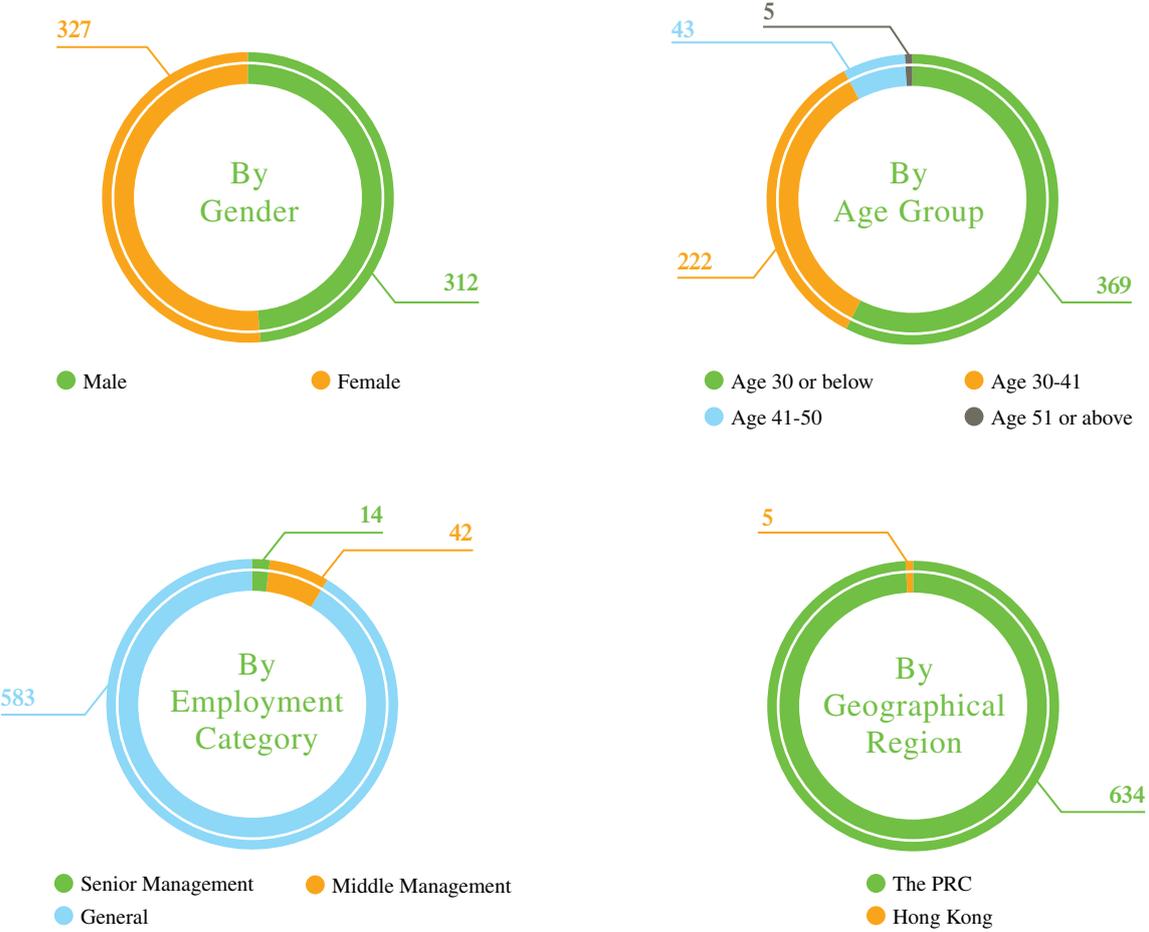
# SOCIAL ASPECTS



## Work-life Balance

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

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





## SOCIAL ASPECTS



### **Health And Safety**

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

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

### ***Safety Training and Education***

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

### ***Safe Working Environment***

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

### ***Occupational Disease Prevention***

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

During the reporting period, there were 2 employees injured and 189 lost days due to work-related injuries, while work-related fatalities were not observed. The Group will continue to improve the safety management system in order to protect employees' health and safety in workplace.

### **Development and Training**

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

# SOCIAL ASPECTS



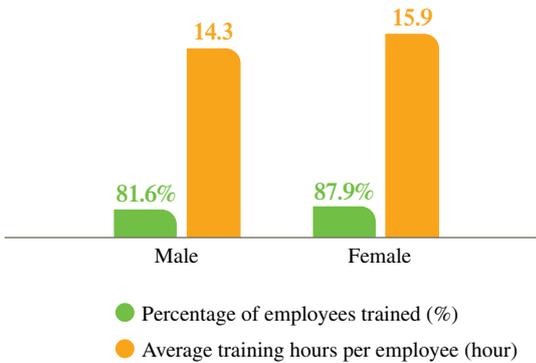
Examples of training provided to our employees during the reporting period included:

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

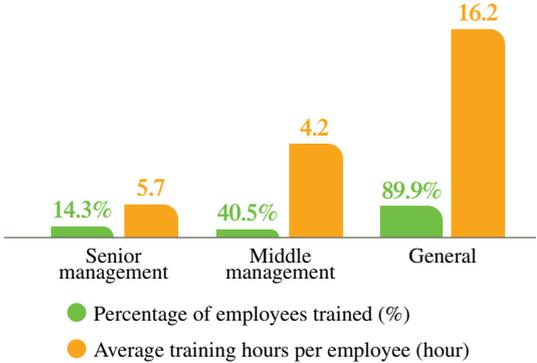
Assessment is conducted after the training for the Group to understand the training effectiveness and employees’ performance. The Group’s human resources department is responsible for formulating annual training plan based on the Group’s strategic development and employees’ needs. The plan is reviewed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

The graphs below show the percentage of employees trained and the average training hours completed by gender and employee category during the reporting period:

Training Profile by Gender



Training Profile by Employee Category



## Labour Standards

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

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



## SOCIAL ASPECTS



### OPERATING PRACTICES

#### Supply Chain Management

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

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

In April 2017, the Group joined “鋰電供應鏈好產品全國巡迴調研活動” initiated by GGLB (高工鋰電). In-depth investigation and studies were conducted to understand the need and production capacity of the lithium battery industry, which can facilitate our supply chain management.

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

#### *Selection Criteria*

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

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

#### *Products or Components Inspection*

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



### *Supplier Assessment*

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

### *Product Responsibility*

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

- National Excellent Enterprise with Foreign Investment Quality Progress Award (2016-2017) – Tesson New Energy (Shen Zhen) Limited\* (天臣新能源(深圳)有限公司)
- 2017陕西省技术革新示范企业 – Tesson New Energy (Weinan) Limited\*
- 南京市认定企业技术中心 – Tesson New Energy Research (Nanjing) Limited\* (天臣新能源研究南京有限公司)
- 陕西省认定企业技术中心 – Tesson New Energy (Weinan) Limited\*

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

### *Quality Control*

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

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



## SOCIAL ASPECTS



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

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

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

### *Complaint Handling*

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

### *Customer Data Protection*

Data is our valuable asset. "Information Security Management Procedure" and "Information Management System" are in place to manage the Group's information security from research development to customer information. Our information security system is established under strict compliance with the relevant laws and regulations, including Administrative Measures for the Graded Protection of Information Security. We have an Information Management Department overseeing all information security management issues to protect the Group's data in all of our operations. Employees are provided with adequate training on managing sensitive customer and the Group's information to strengthen their awareness of safeguarding data. During the reporting period, there was no breach of customer privacy or loss of customer data.

## SOCIAL ASPECTS



### Anti-Corruption

The Group is committed to high standard of business ethics and integrity. Our commitment to preventing any forms of corrupt practice is stipulated in the “Anti-corruption System”. Every employee is expected to act in an honest, diligent and responsible manner. No personal gifts or other forms of advantages from any person or organisation doing business with the Group can be accepted by any employee. Our business partners are expected to follow the same standard when working with us.

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

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

## COMMUNITY

### Community Investment

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

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

### *Delivering Care and Warm to the Elderly*

In June 2017, the Group organised a visit to Baishui County (白水縣) to deliver our care and warm to elderly in poverty. The elderly living there are facing drought, water shortage and low crop production throughout the year. We sent materials and basic necessities to the elderlies. Although we understand that the materials cannot solve the fundamental problem that they are facing, it can help relieve their pressure and show our care to them.



Subject areas, aspects, general disclosures and Key Performance Indicators (“KPIs”)		Section	Page
<b>A. Environmental</b>			
<b>A1: Emissions</b>			
General Disclosure		“Emissions”	7
KPI A1.1	The types of emissions and respective emissions data	“Emissions – Air Pollutants Emission”	7
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity	“Emissions – Greenhouse Gas Emission”	8
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	No significant hazardous waste was produced during the reporting period	N/A
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity	“Emissions – Waste Management”	9
KPI A1.5	Description of measures to mitigate emissions and results achieved	“Emissions – Air Pollutants Emission” “Emissions – Greenhouse Gas Emission”	7
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	“Emissions – Waste Management”	9
<b>A2: Use of Resources</b>			
General Disclosure		“Use of Resources”	10
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	“Use of Resources”	10
KPI A2.2	Water consumption in total and intensity	“Use of Resources”	10
KPI A2.3	Description of energy use efficiency initiatives and results achieved	“Use of Resources”	10
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	“Use of Resources”	10
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	“Use of Resources”	10



<b>A3: The Environment and Natural Resources</b>			
General Disclosure		“The Environment and Natural Resources”	12
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	“The Environment and Natural Resources”	12
<b>B. Social</b>			
<b>Employment and Labour Practices</b>			
<b>B1: Employment</b>			
General Disclosure		“Employment”	13
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	“Employment”	13
KPI B1.2	Employee turnover rate by gender, age group and geographical region	–	–
<b>B2: Health and safety</b>			
General Disclosure		“Health and Safety”	15
KPI B2.1	Number and rate of work-related fatalities	“Health and Safety”	15
KPI B2.2	Lost days due to work injury	“Health and Safety”	15
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	“Health and Safety”	15
<b>B3: Development and Training</b>			
General Disclosure		“Development and Training”	15
KPI B3.1	The percentage of employee trained by gender and employee category	“Development and Training”	15
KPI B3.2	The average training hours completed per employee by gender and employee category	“Development and Training”	15
<b>B4: Labour Standards</b>			
General Disclosure		“Labour Standards”	16
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	“Labour Standards”	16
KPI B4.2	Description of steps taken to eliminate such practices when discovered	–	–



<b>Operating Practices</b>			
<b>B5: Supply Chain Management</b>			
General Disclosure		“Supply Chain Management”	17
KPI B5.1	Number of suppliers by geographical region	–	–
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	“Supply Chain Management”	17
<b>B6: Product Responsibility</b>			
General Disclosure		“Product Responsibility”	18
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	–	–
KPI B6.2	Number of products and service related complaints received and how they are dealt with	“Product Responsibility – Complaint Handling”	19
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	–	–
KPI B6.4	Description of quality assurance process and recall procedures	“Product Responsibility – Quality Control”	18
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	“Product Responsibility – Customer Data Protection”	19
<b>B7: Anti-corruption</b>			
General Disclosure		“Anti-corruption”	20
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 case	“Anti-corruption”	20
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	“Anti-corruption”	20



Community			
B8: Community Investment			
General Disclosure		“Community Investment”	20
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	“Community Investment”	20
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	“Community Investment”	20

\* For identification purpose only



# 天臣控股有限公司 Tesson Holdings Limited

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code 股份代號: 1201

