



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 2023

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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 C2 to the rules governing the listing of securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) – “Environmental, Social and Governance Reporting Guide” and has complied with “comply or explain” provision in the Listing Rules.

This Report summarises the performance of the Group in respect of corporate environmental and social responsibility, covering its operating activities which are considered as material by the Group, 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 2023 to 31 December 2023.

Contact Information

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

INTRODUCTION

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

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





STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

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

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

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

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

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

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

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

1. GOVERNMENT

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

2. SHAREHOLDERS AND INVESTORS

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



STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

3. EMPLOYEES

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

4. CUSTOMERS

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

5. SUPPLIERS/PARTNERS

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

6. PEERS/INDUSTRY ASSOCIATIONS

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

7. FINANCIAL INSTITUTIONS

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

8. PUBLIC AND COMMUNITIES

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

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



STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group has adopted the principle of materiality in the environmental, social and governance (the “**ESG**”) reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (the “**KPIs**”) are reported in the Report according to recommendations of the ESG Reporting Guide (Appendix C2 of the Listing Rules) and the Global Reporting Initiative (the “**GRI**”) Guidelines.

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

Step 1: Identification – Industry Benchmarking

- Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.
- The materiality of each ESG area was determined based on the importance of each ESG area to the Group through internal discussion of the management and the recommendation of ESG Reporting Guide (Appendix C2 of the Listing Rules).

Step 2: Prioritisation – Stakeholder Engagement

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

Step 3: Validation – Determining Material Issues

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

As a result of this process carried out in 2023, those important ESG areas to the Group were discussed in this Report.



ESG GOVERNANCE

Board's oversight of ESG issues

Board's overall vision and strategy in managing ESG issues

The board of directors (“**Board**”) has a primary role in overseeing the management of the Group’s sustainability issues. During the reporting period, the Board spent significant time in evaluating the impact of ESG-related risks on our operation and formulating relevant policy in dealing with the risks. The oversight of the Board is to ensure the management to have all the right tools and resources to oversee the ESG issues in the context of strategy and long-term value creation.

ESG Working Group

The Group attaches great importance to ESG work. Under the leadership of the Board of the Company, each subsidiary has set up a dedicated safety and environmental protection department (“**ESG Working Group**”) to implement specific safety and environmental protection work, so as to comply with government requirements, implement the concept of “safety and environmental protection” in its operation and fulfill its social responsibilities. The ESG Working Group is primarily responsible for reviewing and supervising the ESG process, and risk management of the Group. Different ESG issues were reviewed by the Working Group at the meeting, which holds once per year. During the reporting period, the ESG Working Group and the management reviewed the ESG governance and different ESG issues. During the reporting period, the ESG Working Group mainly consisted of executive directors, chief financial officer, finance manager, human resource manager, factory managers and project managers.

Board's ESG management approach and strategy for material ESG-related issues

In order to better understand the opinions and expectations of different stakeholders on our ESG issues, materiality assessment is conducted each year. We ensure various platforms and channels of communication are used to reach, listen and respond to our key stakeholders. Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group has evaluated the materiality and importance in ESG aspects through the steps: (1) material ESG area identification by industry benchmarking; (2) key ESG area prioritization with stakeholder engagement; and (3) validation and determining material ESG issues based on results of communication among stakeholders and the management. Hence, this can enhance understanding of their degree and change of attention to each significant ESG issue, and can enable us to more comprehensively plan our sustainable development work in the future. Those important and material ESG areas identified during our material assessment were discussed in this Report.



A. ENVIRONMENTAL ASPECTS

A1. EMISSIONS

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

The Group's operations are subject to various PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities on environmental protection. The PRC government has taken an increasingly stringent stance on the adoption and enforcement of environmental laws and regulations. The Group has incorporated the concept of green production throughout the entire production process to ensure the compliance with all applicable environmental laws and regulations, including but not limited to the Environmental Protection Law of the PRC and the Water Pollution Prevention and Control Law of the PRC. During the reporting period, we had no violation record (2022: nil) on relevant laws and regulations relating to emissions and discharges that have a significant impact on the Group.

Air Pollutant Emissions

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

¹ For identification purpose only.



A. ENVIRONMENTAL ASPECTS

The Group's air pollutants mainly come from vehicle use during the reporting period. "Vehicle Management System" is in place to oversee the vehicle use to increase vehicle efficiency. The Group chooses fuel-saving vehicles with high emission standards and carry out regular maintenance on vehicles to reduce air pollutant emissions. The increase in air pollutant emissions in 2023 was mainly attributable to the increase in production volume which caused an increase in the use of diesel-consuming vehicles in the Lithium Ion Motive Battery Business during the reporting period. Furthermore, the Group targets to reduce the emission of air pollutants by 10% by 2025 as compared with 2020. The air pollutant emissions of the Group during the reporting period were as follows:

Air Pollutants	Unit	2023	2022
Nitrogen oxides (NO _x)	kg	16.37	3.90
Sulfur dioxide (SO ₂)	kg	2.24	1.18
Particulate matter (PM)	kg	2.04	1.00

Greenhouse Gas ("GHG") Emissions

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

A. ENVIRONMENTAL ASPECTS

The Group's Lithium Ion Motive Battery Business produces lithium ion motive battery which can replace conventional vehicles that use fossil fuels with new energy vehicles. Our business can indirectly help to reduce GHG emissions from conventional vehicles for environmental protection. The GHG scope 1 emissions in 2023 slightly increased due to the increase in production volume which caused an increase in the use of diesel-consuming vehicles in the Lithium Ion Motive Battery Business and during the reporting period. The increase in GHG scope 2 emissions in 2023 was mainly due to the increase in production volume of the Lithium Ion Motive Battery Business during the reporting period. The Group will strive to reduce the emission of GHG by 10% by 2025 as compared with 2020.

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

GHG Emissions	Unit	2023	2022
Scope 1 ²	tonnes of CO ₂ -e	37.42	35.21
Scope 2 ³	tonnes of CO ₂ -e	14,714.26	10,286.52
Total GHG emission	tonnes of CO ₂ -e	14,751.68	10,321.73
GHG emission intensity	tonnes of CO ₂ -e/ thousands of production unit	0.92	Battery: 1.89
	tonnes of CO ₂ -e/m ²	–	Cultural: 0.01

Waste Management

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

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

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

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



A. ENVIRONMENTAL ASPECTS

There are two major types of non-hazardous waste involved in the Group's operation – general waste and N-Methyl-2-pyrrolidone (the “**NMP**”). We strive to reduce non-hazardous waste at source and recycle the waste as much as possible. For general waste, it is handled by a cleaning company. For NMP, it is used as a solvent for electrode parathion in our lithium ion motive battery manufacturing process. During the reporting period, the recycling rate of NMP is 99.1% (2022: 98.8%). This can reduce our annual consumption of NMP so as to save cost and eliminate waste generation. The non-hazardous waste in 2023 remained stable as the effective implementation of waste management policies during the reporting period. The Group has set a comprehensive reduction target by 10% reduction in non-hazardous waste generation by 2025 as compared with 2020. During the reporting period, the wastes generated by the Group were as follows:

Waste	Unit	2023	2022
Non-hazardous waste generated	tonnes	12.11	12.14
Non-hazardous waste generated intensity	tonnes/employee	0.0008	0.0400
Non-hazardous waste recycled	tonnes	12.00	12.00
Non-hazardous waste recycled intensity	tonnes/thousands of production unit	0.0008	0.0022

A. ENVIRONMENTAL ASPECTS

A2. USE OF RESOURCES

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

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

Energy Consumption

The Group’s energy consumption mainly comes from the purchased electricity and steam. For energy conservation, we have implemented various energy-saving strategies. For example, unnecessary electrical appliances are switched off when they are not in use. We choose to use energy-saving equipment for manufacturing activities and reduce obsolete equipment with high-energy consumption. Regular maintenance on all electrical appliances is carried out to reduce energy consumption. The increase in the total energy consumption in 2023 was mainly due to the increase in the production volume of Lithium Ion Motive Battery Business during the reporting period. The Group has set inclusive total energy consumption reduction target by 10% by 2025 as compared with 2020. During the reporting period, the consumption of energy from our operation was summarised as follows:

Energy consumption	Unit	2023	2022
Purchased electricity	MWh	10,013.29	7,405.55
Petrol	MWh	148.62	140.60
Diesel	MWh	2,159.52	174.11
Steam	MWh	9,572.84	5,867.05
Total energy consumption	MWh	21,894.27	13,587.31
Energy consumption intensity	MWh/thousands of production unit	1.37	Battery: 2.48
	MWh/area in m ²	–	Cultural: 0.01



A. ENVIRONMENTAL ASPECTS

Water Consumption

For water consumption, it is an important natural resource. In our daily business operation, we check water pipes regularly to identify any cracks or leakage. They are fixed promptly to prevent water wastage. Besides, water-saving devices are installed to restrict the water flow and conserve water. Owing to the increase in production volume of the Lithium Ion Motive Battery Business in 2023, the water consumption increased during the reporting period. The Group has set a reduction target of 10% in water consumption by 2025 as compared with 2020. During the reporting period, the consumption of water from our operation was summarised as follows:

Water consumption	Unit	2023	2022
Total water consumption	m ³	47,250	45,706
Water consumption intensity	m ³ /thousands of production unit	2.95	8.35

Packaging Materials

For other materials consumption, our Lithium Ion Motive Battery Business involves the use of paper box and plastic wrap as the packaging materials for finished products. Owing to the increase in production volume of Lithium Ion Motive Battery Business in 2023, the packaging material consumption increased during the reporting period. The Group has set packaging material consumption reduction target by 10% by 2025. During the reporting period, the consumption of packaging materials from our operation was summarised as follows:

Packaging material consumption	Unit	2023	2022
Paper box	tonnes	12.3	6.8
Plastic wrap	tonnes	7.4	4.1
Total packaging material consumption	tonnes	19.7	10.9
Packaging material intensity	tonnes/thousands of production unit	0.0012	0.0020

A. ENVIRONMENTAL ASPECTS

Others

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

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

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



A. ENVIRONMENTAL ASPECTS

A3. THE ENVIRONMENT AND NATURAL RESOURCES

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

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.

A4. CLIMATE CHANGE

Governance

Our Group addresses climate-related risks based on the nature of the risk to our operations. The physical impacts of climate change, including extreme weather events, or damage to facilities have immediate operational impacts and are treated as operational risks. Long-term challenges, such as emerging ESG issues and climate-related risks and opportunities, may be discussed by the Group’s ESG Working Group.

Supported by our ESG Working Group, our Board oversees climate-related issues and risks regularly during board meetings and ensures that they are incorporated into our strategy.

To ensure our Board to keep up with the latest trend of climate-related issues, climate competence training will be provided to ensure it has the necessary expertise and skills to oversee the management of climate-related issues. Our Board also seeks professional advice from external experts when necessary to better support the decision-making process.

Our ESG Working Group provides effective governance for integrating and addressing ESG issues, including climate change, within our business. The ESG Working Group is responsible for approving operational emissions targets for the Group and commissioning an ESG benchmarking, as well as gap analysis exercise to identify gaps in both disclosure and policy relative to the best practice standards. Moreover, the ESG Working Group works closely with the Group’s different operation departments, with an aim to develop consistent and enhanced approaches on addressing ESG risk issues and report to the management.



A. ENVIRONMENTAL ASPECTS

Strategy

Climate change risk forms part of our overall risk profile through its role in increasing the frequency and intensity of certain diseases, and the health and mortality impacts resulting from natural disasters. We assess the overall level of risk by taking into consideration a range of diverse risk factors across the many categories in our services range. This diversity of risk is combined with our business strategy and broad geographic footprint helps us mitigate risk and provide protection against the impacts of short-term climate change effects.

Our products and services continue to provide protection for people in our communities against weather and heat-related disease. Besides, we continue to explore opportunities to engage our business partners and encourage them to develop climate resilience and reduce their operational carbon footprint by taking into consideration of different climate-related scenarios, including a “2°C or lower scenario” through the following steps:

Step 1: Set Future Images Assuming Climate Change Effects

As climate change measures proceed, there is a possibility that the industry will be exposed to substantial changes, such as stricter policies including the introduction of and increases in carbon pricing, as well as advances in technology and changes in customer awareness.

In light of these climate change effects, based on the International Energy Agency (“**IEA**”) scenarios and others, we developed multiple future images as the external environment that will surround our Group. With regard to the IEA scenarios, we put focus on the 2°C scenario (2DS) and pictured future images in case where climate change measures do not progress and where such measures progress further “Beyond 2°C scenario”.

Step 2: Consider the Impacts

We considered the impacts on our Group for each of the future images developed in Step 1. We believe that in such a society, it will be possible to expand carbon dioxide reduction effects.

With regard to effects on raw material procurement and production, introduction of and increases in carbon pricing is anticipated in accordance with the global advance of climate change measures, leading to the possibility of higher raw material procurement and production costs.

On the other hand, in the case where climate change measures are not adequate throughout society, production interruptions and supply chain disruptions are likely to increase as a result of higher frequency and intensification of natural disasters such as flooding.



A. ENVIRONMENTAL ASPECTS

Step 3: Respond to the Strategies

Our Group will begin promoting the reduction of non-renewable energy in our daily operation. This strategy will allow for flexible and strategic responses to each demand for the regions where the emission factors of purchased electricity consumptions are high. By promoting real carbon emissions reductions throughout the world through comprehensive energy-saving policies and introduction of renewable energy, we are working to achieve zero carbon emission in our business.

We minimize carbon emissions through comprehensive energy-saving and introduction of renewable energy. With respect to renewable energy in particular, we have set a new target, achieve a reduction rate for purchased electricity in coming few years.

With regard to the ongoing confirmation of the suitability and progress of the Group's strategies, we believe that we will have opportunities for stable funding and sustainable increases in corporate value through appropriate information disclosure, dialogue with institutional investors and other stakeholders.

Risk Management

Our Group identifies the climate change related risks or to test the existing risk management strategies under climate change with the aid of risk assessment. Hence, the areas where new strategies are needed could be identified.

The risk assessment takes a standard risk-based approach using national data, local information and expert knowledge, which can identify how climate change may compound existing risks or create new ones. The risk assessment is conducted through the following steps:

Step 1: Establish the context

- Objective/goal
- Scale
- Time frame
- Climate change scenario for most climate variables and sea level



A. ENVIRONMENTAL ASPECTS

Step 2: Identify existing risk (past and current)

- Identify the record of occurrence of climatic hazard in the past in the area
- Risk management strategies in place to tackle future occurrence of the hazard

Step 3: Identify future risk and opportunities

- Explore climate change projections for the selected time frame(s) and emission scenario(s)
- Identify potential hazards
- Investigate whether any existing risk from Step 2 may get worse under future projected changes
- Identify new risks that can emerge under future projected changes

Step 4: Analyse and evaluate risk

- Identify a set of decision areas or systems (i.e., geographical areas, business operation, assets, ecosystems, etc.) that has the potential to be at risk in future

As outlined within the Governance section above, the Group has robust risk management and business planning processes that are overseen by the board of directors in order to identify, assess and manage climate-related risks. The Group engages with government and other appropriate organizations in order to keep abreast of expected and potential regulatory and/or fiscal changes.

We continue to raise awareness of climate change in regard to monitoring of carbon and energy footprint in our daily operation. However, there remains gaps in understanding how such climate risks and opportunities may impact our operations, assets and profits. Our Group assesses how the business addresses climate change risks and opportunities and takes the initiative to monitor and reduce their environmental footprint.



A. ENVIRONMENTAL ASPECTS

Significant Climate-related Issues

During the reporting period, the significant climate-related physical risks and transition risks, which have impacted and/or may impact our Group’s business and strategy in (i) operations, products and services, (ii) supply chain and value chain, (iii) adaptation and mitigation activities, (iv) investment in research and development, and (v) financial planning, as well as the steps taken to manage these risks, are as follows:

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Physical Risk		
Acute physical risks		
<ul style="list-style-type: none"> Increased severity and frequency of extreme weather events such as cyclones and floods. These have the potential to cause both idiosyncratic and systemic risks, resulting in potential damage to machinery and equipment. 	<ul style="list-style-type: none"> Operating cost and repairing expense increase 	<ul style="list-style-type: none"> Planned to establish a natural disasters emergency plan. Planned to devise an action plan to articulate the goals and targets of the reductions in GHG emission and energy consumption. Outlined the plan to achieving those targets and defined responsibilities.
Chronic physical risks		
<ul style="list-style-type: none"> Changes in precipitation patterns and extreme variability in weather patterns. Frequent extreme weather events and rising in sea levels are likely to pose disruptions to communities across the region over the long term, affecting economic output and business productivity. Governments that have been pushing for new regulation to reduce GHG emission will pose a threat to financial performance of a business and increase regulatory risk. 	<ul style="list-style-type: none"> Revenue reduces Operating cost increases 	<ul style="list-style-type: none"> Planned improvements, retrofits, relocations, or other changes to facilities that may reduce their vulnerability to climate impacts, and increases climate resilience in long term. Record the energy consumption to identify peaks in usage, thus significant savings could be determined. Engaged with local or national governments and local stakeholders on local resilience.

A. ENVIRONMENTAL ASPECTS

Climate-related risks description	Financial Impact	Steps taken to manage the risks
<p>Transitional Risk</p> <p>Policy risk</p> <ul style="list-style-type: none"> As a result of energy efficiency requirements, the carbon-pricing mechanisms by the PRC Government, which increase the price of fossil fuels. 	<ul style="list-style-type: none"> Operating cost increases 	<ul style="list-style-type: none"> Planned to conduct a carbon footprint survey, in order to work out the company's footprint, to prioritize energy and waste reductions. Monitor the updates of the relevant environmental laws and regulations against existing products and services, to avoid the unnecessary increase in cost and expenditure due to non-compliance.
<p>Legal risk</p> <ul style="list-style-type: none"> Exposure to litigation risk. We have to adapt the tightened law and regulations imposed by the government due to climate change, as well as bear the risk of potential litigation once we fail to obligate the new regulations. Enhanced air pollutant emissions-reporting obligations for local government, and we may have to spend more time on fulfilling the ESG reporting standards to comply with the Hong Kong Listing Rules. 	<ul style="list-style-type: none"> Operating cost increases 	<ul style="list-style-type: none"> Monitored the updates of environmental laws and regulations and implemented GHG emissions calculations in advance. Continued monitoring of the ESG reporting standards of the Hong Kong Listing Rules.



A. ENVIRONMENTAL ASPECTS

Climate-related risks description	Financial Impact	Steps taken to manage the risks
Technology risk		
<ul style="list-style-type: none"> Low-carbon, energy-saving technologies are launched. Lagging behind of technology advancement may weaken our competitive edges. 	<ul style="list-style-type: none"> Capital investment increases Research and Development (R&D) expense increases 	<ul style="list-style-type: none"> Planned to invest in the innovations of energy saving products. Examined the feasibility and benefits of applying the latest low-carbon and energy-saving technologies into our operation.
Market risk		
<ul style="list-style-type: none"> More customers are concerned about climate-related risks and opportunities, which may lead to changes in customer preference. Inability to attract co-financiers and/or investors due to uncertain risks related to the climate. 	<ul style="list-style-type: none"> Revenue decreases Operating cost increases Production cost increases 	<ul style="list-style-type: none"> Fulfilled the climate-related regulations by the government. Prioritize the climate change as a high concern in the market decisions to show to the clients that the company is concerned about the problem of climate change.
Reputational risk		
<ul style="list-style-type: none"> Risk of stigmatization of our business sector, as there will be more stakeholder concern or negative stakeholder feedback on our Group. Negative press coverage related to support of our Group's business projects or activities with negative impacts on the climate (e.g., GHG emissions and energy conservation), which may affect our reputation and image. 	<ul style="list-style-type: none"> Revenue decreases Operating costs increases 	<ul style="list-style-type: none"> Fulfilled the social responsibility by organizing more public relation activities to show how our Group places importance on climate change. Reviewed the business projects to ensure the production and the projects are environmental-friendly.

A. ENVIRONMENTAL ASPECTS

During the reporting period, the primary climate-related opportunities and the corresponding financial impacts were as follows:

Detailed description of climate-related opportunities	Financial Impact
<p>Resource efficiency</p> <ul style="list-style-type: none"> • Use of more efficient modes of transport • Use of more efficient production and distribution processes • Use of recycling • Reduce water consumption 	<ul style="list-style-type: none"> • Operating cost reduces through efficiency gains and cost reductions
<p>Energy source</p> <ul style="list-style-type: none"> • Use of lower-emission sources of energy • Use of supportive policy incentives • Use of new technologies • Shift toward decentralized energy generation 	<ul style="list-style-type: none"> • Operating cost reduces through use of lowest cost abatement • Returns on investment in low-emission technology increases
<p>Products and services</p> <ul style="list-style-type: none"> • Development of climate adaptation and insurance risk solutions • Ability to diversify business activities • Development of new products or services through R&D and innovation 	<ul style="list-style-type: none"> • Revenue increases through new solutions to adaptation needs, such as insurance risk transfer of products and services
<p>Markets</p> <ul style="list-style-type: none"> • Access to new markets 	<ul style="list-style-type: none"> • Revenue increases through access to new and emerging markets



A. ENVIRONMENTAL ASPECTS

Detailed description of climate-related opportunities	Financial Impact
<p>Resilience</p> <ul style="list-style-type: none">• Participation in renewable energy programs and adoption of energy-efficiency measures• Resource substitution or diversification	<ul style="list-style-type: none">• Market valuation increases through resilience planning, such as planning of the research in the use of electric vehicles• Reliability of supply chain and ability to operate under various condition increases• Revenue increases through new products and services related to ensuring resiliency

Metrics and Targets

Our Group adopts the key metrics to assess and manage climate-related risks and opportunities. The energy consumption and greenhouse gas (GHG) emissions indicators are the key metrics used to assess and manage relevant climate-related risks where we consider such information is material and crucial for evaluating the impact of our operation on global climate change during the reporting period. Our Group regularly tracks our energy consumption and GHG emissions indicators to assess the effectiveness of emission reduction initiatives, as well as set targets to contribute our effort to have minimal impact on global warming.

The details of time frames over which the target applies and base year from which progress is measured are described in the section A1: “Emissions” and section A2: “Use of Resources” of this Report. Our Group adopts absolute target to manage climate-related risks, opportunities and performance.



B. SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

B1. EMPLOYMENT

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

The Group strictly complies with labour laws and regulations such as the Labour Law of the PRC. During the reporting period, no non-compliance (2022: nil) related to employment was noted.

Equal Opportunities

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

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

Competitive Employment Terms

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

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



B. SOCIAL ASPECTS

Work-life Balance

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

At the end of the reporting period, the Group has 294 employees (2022: 342 employees) located in Hong Kong and the PRC. Below is the employee breakdown by gender, age group, employment category and geographical region.

Employee compositions	2023	2022
By gender		
• Male	110	140
• Female	184	202
By age group		
• Age 30 or below	49	96
• Age 31-40	156	172
• Age 41-50	60	65
• Age 51 or above	29	9
By geographical region		
• The PRC	286	334
• Hong Kong	8	8
By employment type		
• Senior management	12	18
• Middle management	14	22
• General staff	268	302
• Contract/short term staff	–	–
Total	294	342

B. SOCIAL ASPECTS

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

Employee turnover rate	2023	2022
By gender		
• Male	24%	48%
• Female	9%	44%
By age group		
• Age 30 or below	53%	85%
• Age 31-40	4%	28%
• Age 41-50	11%	2%
• Age 51 or above	–	29%
By geographical region		
• The PRC	15%	46%
• Hong Kong	–	–
Overall	15%	45%

B2. HEALTH AND SAFETY

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

The Group strictly complies with laws and regulations relating to health and safety, such as the Production Safety Law of the PRC. During the reporting period, the Group had no material non-compliance (2022: nil) in relation to health and safety laws and regulations.

Safety Training and Education

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



B. SOCIAL ASPECTS

Safe Working Environment

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

Occupational Disease Prevention

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

During the reporting period, there was no injury case (2022: nil, 2021: 2) and no lost day due to work-related injuries (2022: nil, 2021: 30), while work-related fatalities were not observed (2022: nil, 2021: nil). The Group will continue to improve the safety management system in order to protect employees' health and safety in the workplace.

B3. DEVELOPMENT AND TRAINING

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

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

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

B. SOCIAL ASPECTS

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

Percentage of employee trained (%)	2023	2022
By gender		
• Male	82%	68%
• Female	93%	75%
By employment category		
• Senior management	13%	17%
• Middle management	67%	69%
• General staff	94%	75%
Overall	89%	72%

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

Compositions of employee trained (%)	2023	2022
By gender		
• Male	36%	39%
• Female	64%	61%
By employment category		
• Senior management	1%	1%
• Middle management	4%	5%
• General staff	95%	94%

During the reporting period, the average training hours per employee by gender and employee category is as follows:

Average training hours (hours/employee)	2023	2022
By gender		
• Male	1.9	1.9
• Female	2.2	1.9
By employment category		
• Senior management	1.5	1.4
• Middle management	2.3	3.3
• General staff	2.1	1.8
Overall	2.1	1.9



B. SOCIAL ASPECTS

B4. LABOUR STANDARDS

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

The Group has set up procedures to receive employees’ feedback on child or forced labour issues. When case of child or forced labour is discovered and reported, investigation will be carried out promptly to settle the case and prevent the same case from happening again. The Group strictly complies with the Labour Law of the PRC and other relevant laws and regulations. During the reporting period, none of the Group’s operations (2022: nil) was exposed to significant risk in the use of child or forced labour.

OPERATING PRACTICES

B5. SUPPLY CHAIN MANAGEMENT

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

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

The Group has incorporated different supply chain management practices, including supplier selection, inspection and assessment, to engage suppliers. These practices apply to all of our suppliers. During the reporting period, the Group had 200 suppliers (2022: 200 suppliers) located in the PRC.

Selection Criteria

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

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



B. SOCIAL ASPECTS

Products or Components Inspection

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

Supplier Assessment

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

B6. PRODUCT RESPONSIBILITY

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

- 2022 "Shaanxi Provincial Key New Product Development Project" Certification¹
(2022年「陝西省重點新產品開發項目」認證)

The Group is in strict compliance with the Product Quality Law of the PRC, the Trademark Law of the PRC, the Law on the Protection of Consumer Rights and Interests, and other related laws and regulations. During the reporting period, the Group did not have any material violation (2022: nil) of relevant laws and regulations in relation to the product responsibility.

¹ For identification purpose only



B. SOCIAL ASPECTS

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 9001:2015 Quality Management System – Tesson New Energy (Weinan) Limited.¹
- ISO 14001:2015 Environmental Management System – Tesson New Energy (Weinan) Limited.¹
- ISO 45001:2018 Occupational Health and Safety Management System – Tesson New Energy (Weinan) Limited.¹

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. A 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.

¹ For identification purpose only



B. SOCIAL ASPECTS

Complaint Handling

The Group has implemented “Customer Complaints and Return Processing Procedures” to ensure that customers’ opinions are heard and responded in a timely manner. All complaints go through a formal process of reviews and investigations by responsible departments and customers will receive our feedback within an appropriate timeframe. Improvements will be made based on the investigation report. The Group believes that complaints are valuable opportunities to obtain feedback from our customers, so as to identify the need for improvement. During the reporting period, there were no material complaints (2022: nil) 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 (2022: nil).

B7. ANTI-CORRUPTION

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

No personal gifts or other forms of advantages from any person or organisation doing business with the Group can be accepted by any employee. Our business partners are expected to follow the same standard when working with us. The Group has established whistle-blowing channels to allow employees to report suspected cases of corrupt practice confidentially.

The Group takes disciplinary actions or refers to responsible law enforcement authorities if any misconduct is found. All these practical actions not only win trust from our business partners, but also enhance the sense of belonging and fair play among employees.



B. SOCIAL ASPECTS

The Group is in strict compliance with the Criminal Law of the PRC and other relevant laws and regulations relating to bribery, extortion, fraud and money laundering. During the reporting period, no concluded legal cases (2022: nil) regarding corrupt practices were brought against the Group or its employees. At the end of the reporting period, the number of employees received anti-corruption training and the training hours by employment category were as follows:

Anti-corruption training	2023	2022
Number of employees received training		
• Board of directors	–	2
• Senior management	1	3
• Middle management	2	2
• General	4	4
Total employees	7	11
Number of training hours		
• Board of directors	–	6
• Senior management	3	9
• Middle management	6	6
• General	8	12
Total training hours	17	33

COMMUNITY

B8. COMMUNITY INVESTMENT

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

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

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