**TCL**
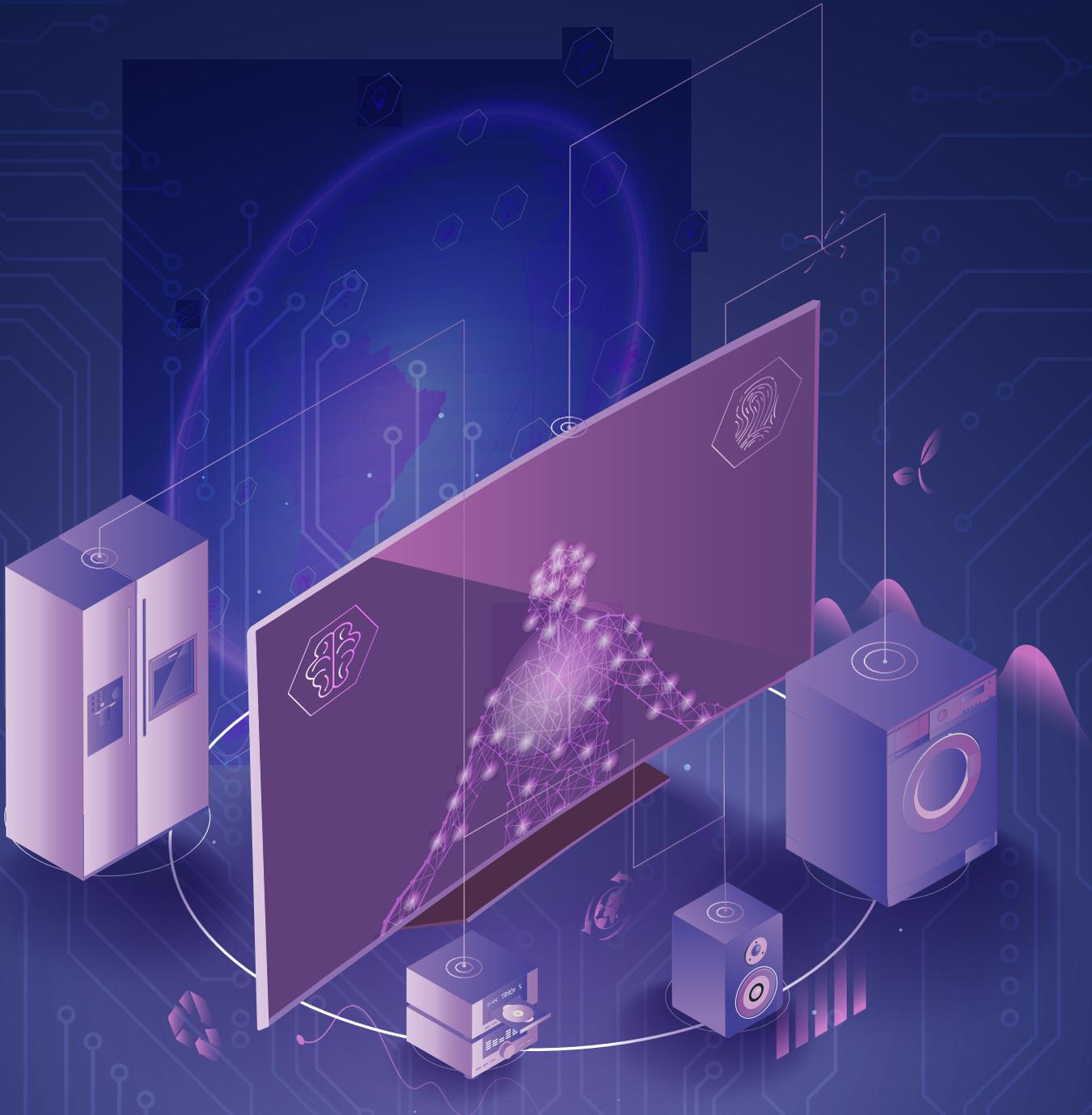
# 2018

TCL Electronics Holdings Limited
Environmental, Social and Governance Report

# CONTENTS

# About This Report

## Overview

This report is the third Environmental, Social and Governance ("ESG") Report ("ESG Report") published by TCL Electronics Holdings Limited (hereinafter "TCL Electronics", "the Company" or "we'"), which discloses our performance in innovation, product and services responsibility, talent development and team building, environmental protection, workplace safety, compliance with laws and regulations, responsible procurement and community investment. The reporting year aligns with our financial year, the latest of which was ended on 31 December 2018.

## Reference

This report was compiled in accordance with "the Environmental, Social and Governance Reporting Guide" published by The Stock Exchange of Hong Kong Limited ("HKEx") as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Reporting Guide").

## Scope and boundary

Policies and data stated in this report are applicable to TCL Electronics and all entities in which we have over 50% interest. This covers all operations based in the People's Republic of China ("China") and other overseas geographies. Since 1 August 2018, TCL Commercial Information Technology (Huizhou) Co., Ltd. ("CI Tech") has become a subsidiary of TCL Electronics. Information and data of CI Tech are therefore covered in this report. While Shenzhen Falcon Network Technology Co., Ltd.("Falcon Network Technology") and Shifendaojia Science and Technology Service Co. were not considered subsidiaries within the reporting year, we had significant influence over their operations. The activities of these companies are closely linked to TCL Electronics' service provision. The two companies are therefore included in the reporting scope. Kuyu Network Technology Co., Ltd.("Kuyu Network Technology") was mentioned in the report as its activities are closely linked to TCL Electronics' service provision.

Unless otherwise specified, all environmental metrics reported in this report covers the following operations:

- Offices located in Shenzhen and Huizhou, China.
- Manufacturing plants located in Huizhou and Chengdu, China
- Manufacturing plants located in Poland

As our operation is still expanding, more locations are anticipated to be covered in our next report.

## Source of data and authenticity

The figures and case studies included in this report were prepared based on our statistical reports and internal circulars. The Board confirms that this report does not include any false record or misleading statements. The Board is responsible for the authenticity, accuracy and completeness of the report content.

## Board approval

This report was approved by the Board of Directors on 18 March 2019.

# Message from the Chairman

In 2018, TCL Electronics is thrilled to grow under the Guangdong-Hong Kong-Macao Greater Bay Area（"Bay Area"）strategy and promote further globalization. We have been enjoying exciting achievements as our business has maintained strong growth. Our Liquid Crystal Display（"LCD"）TV sales totalled 28.61 million units as of the financial year ended 31 December 2018, a year-on-year increase by 23.1%.

The Bay Area initiative is a key strategy of China's economic reform and opening up and plays an important part in China's innovation-driven development in the new era. It enables a drive of innovation and showcases the consistent reform and opening up of our country. According to the nation's development plan, the Bay Area shall nurture a number of strategic emerging industries and major industrial projects in key areas, including cutting-edge display technology. TCL Electronics has rooted in the Bay Area since the 1980s and has become a leading manufacturer in the area. We therefore shoulder the responsibility of promoting smart transformation of the manufacturing industry. As the planning and development of Bay Area are well underway, we see an even greater need to leverage this opportunity and align with the nation's strategy, to grasp the opportunity of supporting the development of smart manufacturing and at the end bring new growth to our core business.

At the same time, TCL Electronics does not only focus on manufacturing of hardware. We promote technological innovation by "product + services", and create smart home ecosystem by "smart + Internet". This "Double +" approach guides TCL Electronics to step forward in this new era. By introducing smart TV, smart lifestyle products and smart home management system, we have actively stepped into the field of Artificial Intelligence（"A.I."）and Internet-of-Things（"IoT"）and developed the smart home market to realize inter-connection across IoT scenarios and achieve a full-spectrum of smart home ecosystem. With years of experience in going overseas with the Bay Area as our base, TCL Electronics has always been a "going-out" pioneer among Chinese brands, with our influence all over the world. Today, we are present in over 160 markets, with overseas sales of LCD TV growing 29.5% from last year. On the production side, we have set up production sites at Mexico and Poland in the early years. Recently, we have selected the fast-growing countries - India to build our first overseas panel module and TV set integrated smart manufacturing industrial park, and chose Vietnam to build a panel module and TV set integrated base. The Vietnam centre will be the largest with the most cutting-edge technology of its kind in Southeast Asia invested by a Chinese TV brand. As the manufacturing base in India and integrated module-machine manufacturing centre in Vietnam will complete soon, TCL Electronics will be able to effectively expand into those markets and achieve mutual success. As we attain commercial success, TCL Electronics also puts an emphasis on environment, social inclusion and sustainable development. The advancement of our business implies a more diverse environmental and social risk portfolio. Therefore, we have strengthened our ESG management across topics. We are building a comprehensive management system, and promoting the awareness and requirement in daily operation, to realize our ESG management initiatives. TCL Electronics hopes to drive our growth by leveraging the opportunity of the development of the Bay Area, our global vision and strength, and technological innovation. In the future, we will improve on the service capability of smart TV to be the entrance point of smart home, and diversify our business to enter commercial display market and smart AV market. With continuous innovation and research and development, we envision becoming a green, smart and globalized consumer electronics enterprise.

# 2018
# In Numbers

**5.5 hours**

Average daily time
of users spent on
Internet TV reached

**45,582 million HKD**

Revenue

**6,952 million HKD**

Gross profit

**26,814 employees**

As at December 31, 2018, we
employed 26,814 employees
globally, of which 40% were
female.

**28.61 million units**

The annual sales of LCD TVs
were 28.61 million units, a
year-on-year increase by
23.1%.

**15,282,000**

The average daily
number of active
users for smart TVs in
December 2018

**34.3 litres**

The water intensity per
product shipped was
34.3 litres, a year-on-year
decrease by 26.2%.

**722 million HKD**

Has been invested in research and
development

# Sustainability Governance

As an international consumer electronics industry group, we have an impact on people from all walks of life with our products and services. It is our responsibility to establish a sound sustainability management system to properly manage our impact to the public, environment and society and relationship with various stakeholders and appropriately meet their expectations.

In 2018, TCL Electronics continued to improve on our existing sustainability management, including enhancing sustainability strategy and management system from top to bottom, managing environmental and social risks properly, and creating shared value for the environment and our society.

# Sustainability governance structure

During 2018, TCL Electronics was one of the core subsidiaries of TCL Corporation. We followed the Corporate Social Responsibility (CSR) Policy of TCL Corporation. For TCL Corporation's CSR Policy, please refer to the "2018 TCL Corporation Corporate Social Responsibility Report". The CSR Innovation Centre is responsible for implementing the CSR Policy at the Corporation level, including collaboration with the Corporation's departments, such as Safety and Human Resources Department, to guide subsidiaries to comply with the CSR Policy. It communicates regularly with the management of TCL Electronics on sustainability issues.

At TCL Electronics, we have strengthened our sustainability governance structure. This year we further disclosed in our report the sustainability strategy formulation and how we promote sustainability management in daily operation. On the one hand, we strive to embed sustainability concept to the strategies and decisions in TCL Electronics. The Board will evaluate the Company's risk in environment, society and governance, to make sure an effective environmental, social and governance risk management and internal control system are in place and corresponding execution of related departments. On the other hand, we cultivate the awareness of sustainability among employees by providing more relevant training to enable them to monitor the performance in environmental and social aspects in front line departments. We outline clear roles and responsibilities in all grades and departments in order to facilitate the implementation of sustainability initiatives.

Sustainability governance structure of TCL Electronics

| Level of Sustainability Governance | Members | Responsibilities |
|---|---|---|
| Leadership in sustainability | Including senior management | 1. Lead sustainability related affairs<br>2. Formulate sustainability strategy<br>3. Allocate resources of TCL Electronics for sustainability work<br>4. Approve results of sustainability work |
| Management in sustainability | Led by the Executive Office from the headquarters, including all department leaders | 1. Manage sustainability work<br>2. Delegate sustainability personnel for implementation<br>3. Supervise progress of sustainability work<br>4. Report to sustainability leadership |
| Sustainability taskforce | Departments from the headquarters<br>Domestic and overseas manufacturing bases and subsidiaries | 1. Collect and communicate sustainability information<br>2. Implement detailed sustainability work<br>3. Report to the Management in Sustainability |

# Stakeholder engagement

TCL Electronics has a wide range of stakeholders, including employees, customers, business partners, investors/shareholders, government and regulators, industry associations, non-profit organizations and media etc. Based on their feedback, we establish a regular stakeholder engagement practice. With targeted and diverse engagement channels, we hope to achieve positive interactions with stakeholders and respond to their expectations.

### Employees
**The talents that TCL Electronics directly employs**

• An excellent team that grows continuously is the key to sustainable development of TCL Electronics
• Their concerns: remunerations, career progression, employee benefits, training and development, corporate reputation, workload, health and safety, corporate communication channel
• How we engage them: intranet, email, employee meeting, employee activities, employee training

### Customers
**Customers who purchase and use products and services of TCL Electronics**

• Customer is the direct user of our products and services. Customer satisfaction is the foundation of our long-term development.
• Their concerns: product quality, service quality, after-sale warranty, privacy, product packaging, low-carbon and environmentally-friendly product
• How we engage them: official website, official Weibo and Wechat public account, customer hotline, customer satisfaction survey, customer interview, regular inspection of retail outlets, product label and information disclosure

### Suppliers
**Suppliers of materials and service consultants of TCL Electronics**

• Suppliers provide quality product and services to TCL Electronics, which is an integral part of our operations. They also need to comply with our supply chain management protocol.
• Their concerns: procurement policy, supply chain management protocol, fair trade, on-time settlement, good and stable partnership
• How we engage them: direct communication and visit, supplier meeting, annual evaluation, tendering

### Investors/shareholders
**Existing shareholders and potential investors of TCL Electronics**

• Existing shareholders and potential investors of TCL Electronics enables our development financially. We have the responsibility to achieve their expectation with sustainable economic return.
• Their concerns: share price, dividend, financial performance, business prospect, future development strategy, governance, selection and employment of management, open and transparent information disclosure
• How we engage them: shareholder meeting, official website, public media report, financial report, analyst presentation

### Government and regulators
**Local government and regulators where TCL Electronics is registered, publicly listed and operates**

• The support of government and regulators has assured us to make bigger and wider scope of economic and social impact.
• Their concerns: compliance with local laws and regulations, tax compliance, local economic growth, local employment, positive social impact
• How we engage them: regular visit, policy communication, organizing or attending seminars, public event

### Industry associations and chambers of commerce
**Business consortiums of TCL Electronics' industry peers; the chambers of commerce in which we participate**

• Industry associations and chambers of commerce have helped us to communicate and grow together with our industry peers. Their standards and policies can facilitate the growth of our industry as well.
• Their concerns: facilitation to the industry's growth, business and products, corporate social responsibility
• How we engage them: industry seminars, regular events, collaborative research

### Press
**Press which pays attention to and publicly report on our operational and service performance**

• Press is an important channel for the general public to understand TCL Electronics. Press facilitates the company to enhance transparency.
• Their concerns: our operations and products, financial performance, future development strategy, corporate social responsibility
• How we engage them: press release, media interviews, regular seminars

### Philanthropic / community organizations
**The philanthropic organizations we partner with and the community at our neighbourhood**

• The philanthropic or community organizations have supported our business growth. We have the responsibility to contribute to philanthropic causes and the betterment of the community
• Their concerns: impact of philanthropic event, impact to the community and citizens by our property development and management activities
• How we engage them: philanthropic event partnership, interview and survey

# Materiality analysis

Based on the ESG Reporting Guide (Appendix 27 of Main Board Listing Rules) issued by the Hong Kong Stock Exchange Limited, TCL Electronics reviewed our material issues list for 2017 based on our business environment this year, with consideration to stakeholders' concern, as the reporting basis of this report.

## Corporate governance

- Transparency in information disclosure
- Ability to create value sustainably
- Compliance with laws and regulations
- Anti-corruption
- Respect to intellectual property

## Community and economic development

- Taxpaying in a legal manner
- Facilitating industry development
- Win-win cooperation with suppliers
- Supporting the underprivileged

## Product responsibility

- Product safety and health
- Quality assurance for products and services
- Product innovation

## Labour

- Protecting labour rights
- Occupational health and safety
- Reasonable remuneration
- Respecting the diverse cultures and ways of living of employees
- Training and development opportunities
- Employees' sense of belonging and recognition

## Environmental protection

- Efficient use of resources
- Waste management
- Energy conservation and reduction of emissions
- Water management
- Recycling of scrapped products

# Injecting Impetus to Economies

Economic growth drives social development. TCL Electronics understands the importance of economic growth. We adhere to relevant laws and regulations, providing quality services, and persisting on innovation. We inject impetus to the economic and social development in countries and regions we operate.

# Promoting economic growth

TCL Electronics is one of the major television manufacturers globally. We rank second in terms of market share in the global LCD television market. Back in 1999, we established our first overseas manufacturing plant and are therefore considered as a pioneer in the globalization of Chinese business. TCL Electronics plays a pivotal role in the global market. Our investment in various overseas markets is facilitating local economic development, and improving the lives of locals. At the same time, we promise to abide by all applicable laws and regulations. As an influencer in China, we proactively promote the development of display industry locally.



## Strengthening our global presence

TCL Electronics was one of the first Chinese enterprises to invest in global markets. Through investing in and strengthening our presence in emerging markets, we realize collaboration and dialogue among TCL Electronics and these countries and solidify our market advantages and our foundation of the company's long-term growth. To date, except a small number of Chinese executives, the managers and employees of our overseas manufacturing plants and sales offices are all locals. This policy aims to fulfil our promises in promoting the local economy and job opportunities, and at the same time reduce the cost required to adapt to local markets.

## Taxpaying

We share our economic success with the jurisdictions in which we operate through paying tax. Compliance with local tax regulations is of the utmost importance. In 2016, we hired a Tax Director for the first time in order to respond to the ever more complicated tax requirements in different markets due to tax reforms.

We actively respond to the reform of taxpaying requirement in China. The Environmental Protection Tax Law came into effect on 1 January 2018, implying the levying of Environmental Tax. Our subsidiaries with manufacturing operations had paid Environmental Tax based on the

quantity we emit. TCL Electronics has also established a corresponding internal control and compliance check system to monitor and prevent potential risk associated with emission discharge. While we comply with the Environmental Tax Law, we will continue to strengthen clean production management to lower the tax expenditure.

Please refer to our Annual Report for the amount of tax paid in 2018.



### TCL Electronics held the Middle East Regional Distributor Conference in Dubai

On 28 March 2018, TCL Electronics and its partner in United Arab Emirates, the EROS Group, held the Middle East Regional Distributor Conference at the Dubai Marriott Marquis Hotel. About 150 regional partners, media representatives and guests from 13 Middle Eastern countries, including United Arab Emirates, Saudi Arabia, Lebanon, Kuwait, Oman, Iraq and Qatar, attended the event. This is the first time for a China's colour TV brand to hold a regional partner conference in the Middle East, jointly discussing the development opportunities under "Belt and Road" initiatives, which demonstrated TCL Electronics' commitment to expand its market in the Middle East.

## Promoting industry development

As a leader in the Chinese display technology industry, TCL Electronics is dedicated to promoting the technical advancement of the industry pragmatically and innovatively.

TCL Electronics has actively launched an internship platform to nurture talent, and built strategic network with businesses to develop A.I. technology. Meanwhile, TCL Electronics also partners with universities such as Beijing Institute of Technology and Nanjing University to develop quantum dots materials for better QLED TV products. With the high competitiveness in QLED TV market, TCL Electronics is leading the transformation and enhancement in the display industry.

### TCL Electronics established an internship platform in Chengdu

TCL Electronics established an internship platform in Chengdu on 26 July 2018, for students from École Centrale Paris, in partnership with Southwest Jiaotong University. It serves as a collaboration platform for TCL Electronics and students, providing students with practical work experience in the industry and enabling TCL to recruit talent in the future. While the internship experience could help increasing students' understanding to the industry, it helps promote the development of the industry in the future.
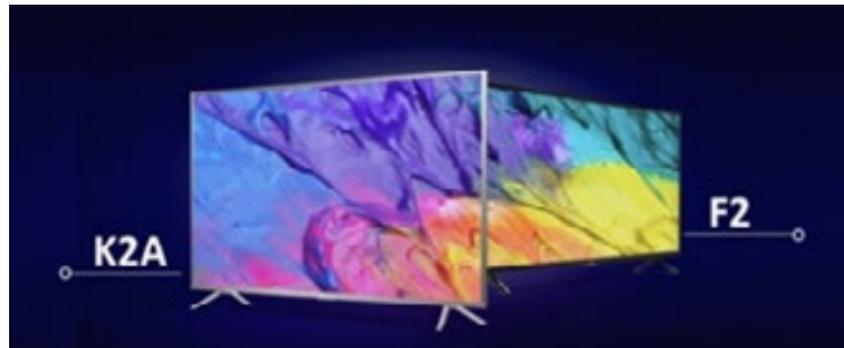


### Strategic partnership between Falcon Network Technology and JD.com

Falcon Network Technology (a then associate of the Company and became a subsidiary of the Company since April 2019) and JD.com concluded a strategic partnership on the 2 May 2018, pursuant to which JD.com became one of the strategic investors of Falcon Network Technology. JD.com invested CNY 300 million to subscribe the new shares of Falcon Network Technology, owning 6.67% of the total shares of Falcon Network Technology after the subscription.

Falcon Technology and JD.com will establish strategic collaborations on Internet-based capabilities, content, services and ecosystem. The key collaborative subject is on the application of A.I. technology for smart large screen displays and smart homes. It is believed that the collaboration between Falcon Network Technology and JD.com can help to better utilise the resources and advantages of both parties, creating synergy effect for the benefit of customers and bringing new growth opportunities to the industry.

### Research and development projects of TCL Electronics and Tertiary Institution in 2018

| Institution | Project | Description |
|---|---|---|
| China Jiliang University | Air Light Guide Plate Project | There are currently two types of backlighting technology, namely back-lit and edge-lit. The project proposes an integrated approach of back-lit and edge-lit, for enabling a thinner backlight design at a lower cost. The approach is also applicable to curved TV design. |
| Beijing Institute of Technology | Perovskite Quantum Dots Film Study | Collaborated with Beijing Institute of Technology to develop new perovskite quantum dots material with higher resistance to water and oxygen, for the manufacturing of more reliable quantum dots film. |
| Nanjing University | Perovskite Quantum Dots Film Study | Collaborated with Nanjing University to develop new perovskite quantum dots material with higher resistance to water and oxygen, for the manufacturing of more reliable quantum dots film. |
| Shanghai Jiaotong University | High Performance Film Project | Co-developed highly efficient, wide-angled backlighting compounded film together with Shanghai Jiaotong University, based on the polarity and optical rotation nature of plastic material. |
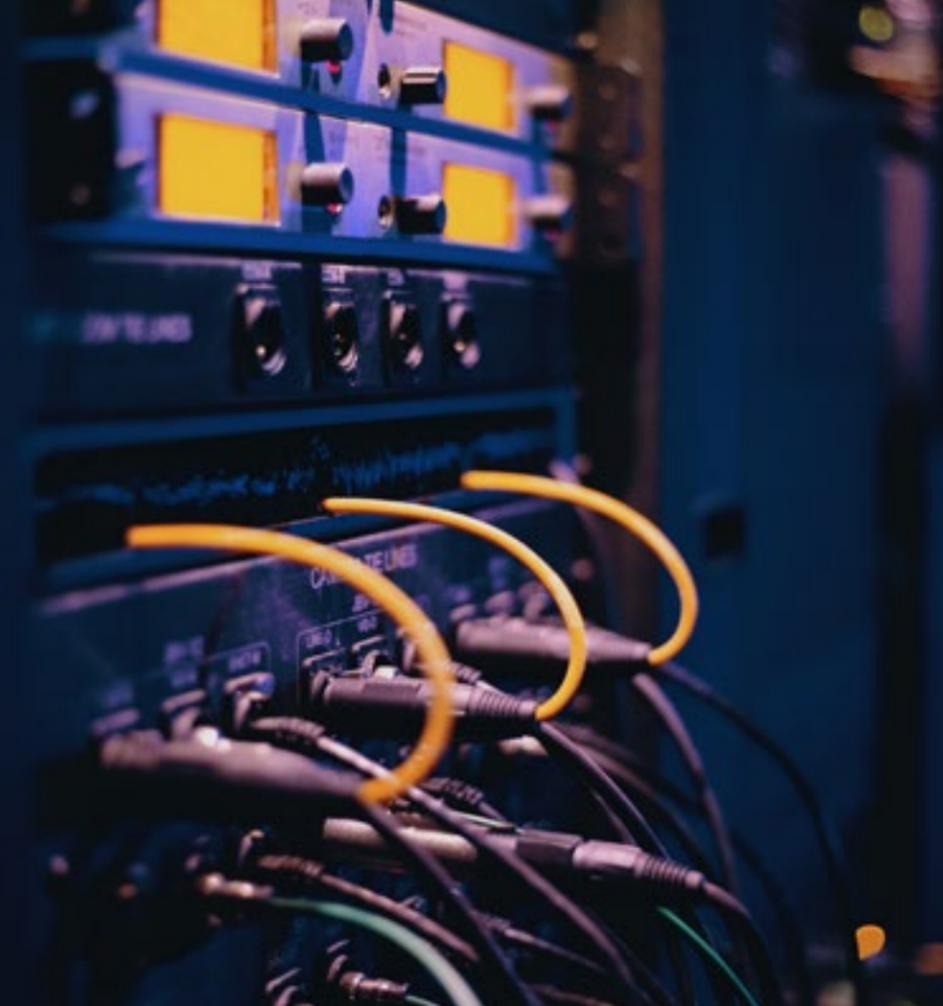
## Complying with the law

While TCL Electronics is promoting economic growth, we ensure full compliance to relevant laws and regulations.

### Respect for intellectual property rights

Protecting and respecting intellectual property rights is one of the core elements of TCL Electronics to continuously make breakthrough and maintain leadership in the market. The Company is dedicated to managing and respecting intellectual property to raise our competitiveness in the market. In 2018, the Company actively contributed to the development of TCL Corporate Research and the research project on A.I. development and application in our products. In addition, we promote our policy on managing intellectual property rights internally by means of training, education, communication and etc., and work with other companies to exchange views on intellectual property rights management externally, enhancing our overall intellectual property rights management.

Number as of the end of 2018

**2,059**
Patents granted

**5,164**
Patents applied for

## Anti-corruption

TCL Electronics strictly complies with Criminal Law, Anti-Unfair Competition Law and Company Law, Interim Provisions on Banning Commercial Bribery (Order of the State Administration for Industry and Commerce (No.60)) of the PRC and the Corporate Governance Code specified in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. We value transparency, independence, accountability, responsibility and fairness.

TCL Electronics has established its TCL Electronics Code of Anti-corruption to create a corporate culture of integrity and guide employees to safeguard corporate interests and fulfil their duties, facilitating sustainable business development. The Internal Control Audit Department (ICAD) is also responsible to review and update internal corporate governance practice and the code of conduct for employees and the board, to ensure the company complies with the latest regional laws and regulations and to maintain a high level of corporate governance.

Each new employee is required to sign the Undertaking for Personal Integrity and receive related training. When conducting business with suppliers and contractors, the department concerned shall, at the time of contract execution, sign the Anti-Corruption Agreement or add anti-corruption clauses to the contract, and set out the complaint approaches and channels in the Anti-Corruption Agreement or integrity clauses.

Every employee has the right to supervise the implementation of the integrity policies. A whistle-blowing channel is established for employees and the public to report any violation cases through mail and phone call. Report through phone calls are directly handled and documented by the ICAD, while reports through mails are handled by the ICAD regularly. The ICAD would record and report all corruption reports to the CEO, who will offer advice on investigations.

In 2018, there were no concluded legal cases regarding corrupt practices and commercial bribery brought against TCL Electronics or our employees.
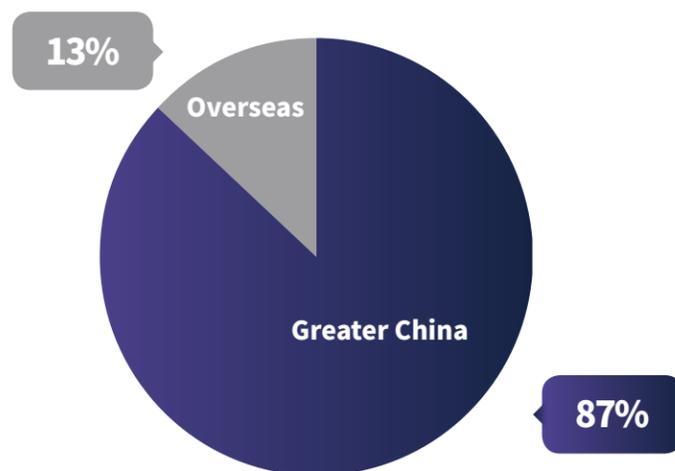
## Supplier assessment

Upon reviewing incoming suppliers' basic information, the component division of TCL Electronics manufacturing centre requires the incoming suppliers to self-assess by filling in the Supplier Qualification Review Form, Key Procedure Review Form and Supplier Environmental Control Review Form. Formal on-site assessment, including supplier's qualification, key production technology, environmental monitoring and control, will be conducted upon satisfactory results of self-assessment. With a positive formal assessment, the supplier needs to draft and sign the Agreement of List of Key Raw Materials to formulate a plan for assessing its tier-two suppliers. When this is passed, supplier can sign the agreement and become a qualified supplier of TCL Electronics.

# Sharing our success with business partners

TCL Electronics clearly understands the importance of our business partners to our sustainable development. We have been adopting a fair procurement principal, signing anti-corruption agreements with all suppliers and ensure equal opportunities. We value exchanges with suppliers and listen to their voice at our partner conference. We require suppliers to comply with relevant national and overseas requirements regarding labour rights, environmental protection and use of illicit conflict minerals. We grow with business partners to build a responsible supply chain.

Procurement expense share by region as at 31 December 2018



13% Overseas

87% Greater China

Assessment to new suppliers and initial evaluation

On-site inspection

Introduce to supplier list

Annual assessment for existing suppliers

Follow-up re-assessment

## Controversial sourcing

TCL Electronics responds to the call of the joint taskforce of RBA (Responsible Business Alliance, formerly known as Electronic Industry Citizenship Coalition) and GeSI (Global e-Sustainability Initiative) to improve our electronics supply chain. We do not use any conflict minerals (referring to tungsten, tin, tantalum and gold) financing armed conflicts or extracted from illicit mining. The Supply Chain Management Department works with the Quality Department to require suppliers to investigate whether its metallic raw materials are sourced from illicit mining operations in the Democratic Republic of Congo and surrounding countries. If suppliers are known to be using illicit conflict minerals, TCL Electronics will request for written explanation and an immediate stop of illicit conflict minerals procurement. The suppliers will be required to re-select the source of minerals and provide valid proof that the minerals are extracted from legal sources. The supplier needs to sign a Guarantee of No Consumption of Conflict Minerals.

# Creating Value for Our Users

TCL Electronics has adhered to the philosophy that technology is for the betterment of lives. We create exceptional value for our users through technological innovation and a user-oriented approach. We continuously invest in quantum dot technology, A.I. technology and web-based business to optimize our "product + service" operation and enhance customer experience.

TCL Electronics has six Research and Development Centres globally, which are located in France, US, Shenzhen, Huizhou, Xi'an and Hong Kong, China. We have more than 1,000 professionals in the research and development teams globally.

# 722 million HKD

was invested in research and development in 2018

On television development, TCL Electronics Research & Development Centre has developed advanced application to meet the needs of users. In particular, TCL Electronics is the first company among colour TV industry which successfully developed the celebrity identification function. Our R&D team has strengthened the capability of our A.I. "Xiao T" in offering smooth customer experience, which brings good reputation to the brand.

TCL Electronics is also the first company to start developing middleware in the industry. Since 2012, TCL Electronics Research & Development Centre has started the study about middleware that could meet major certification requirements globally, preparing for the expansion in global markets. It reduces the impact of chip upgrade on product development with the use of a same set of software for different countries, which helps fasten the certification and testing process. The technology is ahead of the peers for at least 3 years.



## Major A.I. Development Progress

TCL Electronics is committed to developing A.I. ecosystem and smart home scenarios. In 2018, we continued our strategy of being the leader in A.I. application. We established an open A.I. technology platform to connect various businesses. We launched the AI2.X system, which can identify user's intention and relevant scenario to enable natural language interaction and personalized recommendation. The A.I. ecosystem enables TCL Electronics to get connected with partner with advanced A.I. competence and acquire diverse services and content in a wider and quicker way. This sets TCL Electronics apart from peers having only "1+1" cooperation model.

With the use of TCL cloud computing, IoT cloud and big data processing, we have established connections with every user and smart device. Through training and machine learning, we are enabling smarter devices and livelier homes.

Based on our continuous analysis in user scenario and application of advanced technology, we newly launched a "living" scenario and "multi-system" product, which enabled TV users to enjoy 24 hours non-stop smart living services. A display screen in living room finally evolves to a smart living enabler.

## Living Window TV

TCL Electronics newly launched TCL Living Window TV on 16 August 2018. It offers superior picture quality, superb audio support with the fusion of art and A.I. technology, creating an artistic and smart living experience for customers. It caters to more diverse consumer needs and creates higher value to users.

Living Window is an icon of our cutting-edge manufacturing ability, aesthetic in design and material. It is considered the cornerstone of the premium XESS series. The fusion of A.I. technology, IoT and the use of quantum dots has proven TCL Electronics' advancement on technology development. TCL Electronics is creating an entire new experience for the users with the Living Window TV.

During the development of the entire ecosystem and the living scenario, TCL Electronics not only pays attention to the collaboration opportunities with existing network, it also explores different ways of business collaboration. In the future, TCL Electronics might collaborate with real estate partners to build an entire new platform and ecosystem.

The appearance design blends into users' personal aesthetic expectations and needs to match the interior design of homes. The launch of Living Window TV injected new vigour into the industry by transforming the traditional perceptions to what a TV is.

# Product design

## Energy saving design

As part of the global collaborative effort in protecting the environment, TCL Electronics is striving to improve the energy efficiency of its products and to drive the development in energy-saving home appliances. Utilising the latest innovative technology and energy saving technology, we are attracting more users to be aware of the energy saving products in the areas of backlighting, power source, hardware, software and structure.

While we are developing greener products to respond to the latest energy-saving and environmental policy of the Chinese government, we strictly comply with procedures such as the "Requirement of Using Environmental Labels in TV Products" and "Management Standard for China Environmental Label Qualified Products". TCL Electronics has successfully developed useful and practical energy saving products, for better customer experience and green product development in China.

## Conserving raw materials

TCL Electronics has been proactively promoting minimal use of raw material, and reducing environmental pollution during production.

Plastic optical granules in TV light guiding plates are made from PET material, which is refined from crude oil. With the circumstance to maintain the same optical capacity, we are reducing the quantity of plastic granules per light guiding plate, to reduce the use of crude oil and emission generated from the refining process. In collaboration with plastic optical granules manufacturer, TCL Electronics successfully developed two-in-one and three-in-one compound guiding plates. The latest adhesion technique enables the use of less PET material while maintaining the sufficient strength for the application in TV manufacturing. The thinner granule design in turn reduces the use of PET raw material by 50%.

## TCL Electronics proprietary energy-saving technology includes

1.Liquid Crystal TV Backlighting Control System. A TV can detect the brightness of natural light surrounding it, activate backlight algorithm and automatically adjust the backlighting intensity, contrast and brightness of the screen. On top of improving image quality, a 40% reduction in energy consumption can be achieved.

2.Blended dimming technology increases light efficiency and reduces energy consumption. This technology has been fully adopted in smart TV products available in the China market in 2018.

3.Directly driven LED backlighting with larger chip enhances 18% backlighting efficiency.

4.Quick start-up and shut down technology reduces idle time. This is beneficial to the user experience and reduces unnecessary energy wastage. Dynamic Voltage-Frequency Scaling technology can enhance the system reaction speed and reduce energy consumption. Chip heat loss can also be reduced.

5.Smart Boost technology boosts the maximum brightness of the device with no impact on energy consumption under normal scenarios. On top of improving image quality, energy is saved.

6.The standby power rate for TCL TVs is less than 0.3W, much better than the national requirement of 0.5W.
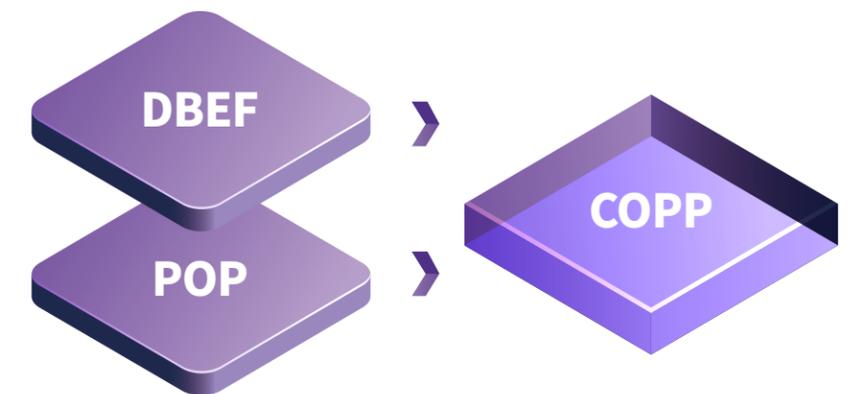
### Make use of local dimming technology for energy saving

Local dimming technology can increase image contrast while greatly reducing energy consumption. Under standard image display mode, around 60% screen area does not require 100% backlight output to achieve optimum display effect. Yet, for TV, without local dimming technology, backlight of display screen could only go for 100% output for optimum effect. On the other hand, for a 65' TV with 288 backlighting zones, it can precisely control the backlight output for each zone with local dimming technology, saving 65% of energy for backlighting.

The production of printed circuit boards (PCBs) is a polluting process, we are therefore proactively minimising the use of PCBs in our TV products. Picture tubes in TVs must be driven by PCBs. Taking a 55" TV as example – in 2017, 3 short picture tubes were required to achieve uniform lighting. While in 2018, after refining the refraction angle of the optical lens, only 2 long picture tubes were needed. Our leading TV models with fewer picture tubes will enter mass production soon. Our final goal is to use only one picture tube and reduce consumption of PCBs by 33% in number.

## Conserving packaging material

TCL Electronics embraces green and innovative packaging. We are continuously reviewing our use of packaging material to prevent any use of toxic and harmful material and to adopt more environmental friendly packaging material. Hence, we are replacing expanded polystyrene (EPS) with expanded polyethylene (EPE) as the protection of the screens for our P2, X2, X3, X6, P6 and C5 models. EPE can be turned to tiny particles for recycling easily. Comparatively, EPS is more difficult to be recycled or naturally decomposed. Therefore, TCL Electronics is proactively replacing the use of EPS to EPE for our packaging to reduce the environmental impacts.

**Weight of EPS packaging used per product for selected models in the previous 5 years (Unit: g)**

| Model & Size | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| 65" Curve | 3150 | 2940 | 2470 | 1967 | 1900 |
| 55" Curve | 1889 | 1758 | 1300 | 1191 | 776 |
| 32" Flat | 350 | 258 | 229 | 207 | 182 |

With more stringent requirement on packaging material from global market, TCL Electronics is striving to replace existing plastic and wood packaging with harmless, clean and recyclable packaging, providing customer with a modern, economic and environmental friendly packaging solution. The use of paper packaging would reduce the weight and volume of the product, which would increase the number to be loaded in cabinets, reduce storage space, and reduce greenhouse gases emission generated from shipping.


Screen protection made with EPS


Screen protection made with EPS and EPE


Screen protection made with honeycomb paper and EPE

**Consumption of packaging materials in 2018**

**699,284 tonnes**
Carton boxes

**6,086 tonnes**
Paper manuals

**12,392 tonnes**
Plastics (EPS)

## Product safety

Product safety is one of our top priorities in product design. TCL Electronics strictly complies with Law on Protection of Consumer Rights and Interest, Product Quality Law, and Measures for the Administration of the Restricted Use of the Hazardous Substances Contained in Electrical and Electronic Products of the People's Republic of China and other relevant laws and regulations of the overseas markets. We also make reference to national, industry, and local safety production standards such as GB8898-2011 / IEC 60065:2014 "Audio, video and similar electronic apparatus – safety requirements", to ensure the product is safe and reliable for our customers.

In addition, the safety and electro-magnetic compatibility laboratories of TCL Electronics have been certified by China National Accreditation Service (CNAS) (Registration number: CNAS L1701) with a comprehensive quality system in accordance to the international standards ISO/IEC 17025 General Requirements for the Testing and Calibration Competence of Laboratories. TCL Electronics would provide timely upgrade and expansion of the laboratories testing competence and scope, so that the laboratories could help to ensure product safety and quality

We put safety of customers at the top priority. To us, complying with national and international safety standards and requirements is fundamental. We set for ourselves the most stringent safety standards on various safety tests. Our products have earned a number of globally-recognized safety certifications.

**TCL TV has received the following safety certifications**



| FCC Certification | ETL Certification | UL Certification | CE Certification | Japan S-MARK |
|---|---|---|---|---|
| Korea KC Certification | India BIS Certification | Australia C-tick Certification | China CCC Certification | Taiwan Certification |

In 2018, no products shipped were recalled for health or safety reasons.

# Product quality assurance

The Quality Centre is responsible for monitoring and responding to product and service quality matters. The Quality Centre meets monthly to discuss recent quality incidents and review indicators such as customer satisfaction rates, complaint rates and cumulative failure rates. We have passed ISO9001:2015 Quality Management System and IECQ-QC 080000:2017 Hazardous Substance Process Management System certification. Continuous monitoring is in place to ensure the effective implementation of the management systems, ensuring stability of production process and the product quality.

Product Net Promoter Score (Product NPS) measures the possibility for our customer to promote our products and service to others. TCL Electronics analyses possible reasons affecting the customer experiences according to the monthly NPS result and trend, which might include program lagging, product appearance distortion and display quality etc. Product NPS will be analysed with the use of thermodynamic chart, block diagram and other tools or methods to conclude improvement action, which will be handled by the Research Centre and Quality Centre, to improve customer experience. In order to reduce the probability of product failure during use, TCL Electronics Quality Control Centre has established relevant standards for product defect and closely monitors product operation data through real-time IT system. When there is abnormal fluctuation, we promptly correct and prevent factors that affect the stability of our product. TCL Electronics has established internal standard procedures on Return of Sample Products, and on Return and Exchange of Sold Products, to ensure efficient handling of returned goods. We have appointed dedicated staff to analyse the reason for product return for the enhancement of after-sales service. Our after-sales service provider, Shifendaojia, carries out system rectification and prevention measures, which reduced product return and replacement error rate by 82.1%. We conducted comprehensive risk assessment to product defect and introduced extra screen protection to lower the risk of screen damage. Compared with 2017, the product defect rate in three months after sales decreased by 25%, the annual product defect rate decreased by 20% and the defect rate for new product sold in three months decreased by 45%.

We have a laboratory dedicated for product quality reliability tests. The quality reliability test is conducted according to or even exceeding local and international standards. They could be tailored for specific testing criteria for different products. On electrical reliability, we have introduced the surge immunity test for Internet ports, given the increasing number of Internet ports in our products. On Wi-Fi reliability, we added tests in dark room and for virtual users to ensure the connectivity of Wi-Fi. On environmental mechanical reliability, our products must pass the high temperature test, low temperature test, low pressure test, dust test, vibration test, drop test, collision test, etc. The International Safe Transit Association-related standards are also one of the mechanical reliability quality control standards for our products. These ensure that our products can be used reliably under normal transportation and use.

Meanwhile, we proactively participate in the formulation and revision of national and industrial standards. We follow closely the revisions of standards and regulations to ensure only suitable products are introduced to meet the markets' needs.

We have been in compliance with Law of the People's Republic of China on Protection of Consumer Rights and Interest. We inform our customers and potential customers of authentic information on prices, origin, manufacturers, use, functions, standards, grades, main ingredients, date of production, term of validity, certificates of inspection, operation instructions, after-sale services or information relating to contents, standards and costs of the services.

## 1.70 %
**2017** 2.06%

In 2018, the average 3-month early return rate for China

## +11.6%
**2018** +7.1%

2019 China Net Promotor Score* for TCL television products

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\* China Net Promotor Score (C-NPS®) is an evaluation to the Net Promotor Score of products available in China. NPS is an indicator of users' loyalty to products. Based on the rating for willingness to promote a brand, consumers are categorized as Promotors, Passives and Detractors. The NPS is calculated by subtracting the percentage of customers who are Detractors from the percentage of customers who are Promoters. This methodology does not consider the potential ratings by those not responding to our survey. C-NPS® is prepared by Chnbrand, a brand-rating organization in China.

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## TCL Electronics bags a gold award at the International Convention on Quality Control Circles 2018 Award

On 25 October 2018, the Lightning QC Team of TCL Electronics presented in the International Convention on Quality Control Circles 2018 an innovative study on spraying tool wrapped with plastic and received a Gold award. This international award is more than an encouragement and a recognition to the quality control activities of TCL Electronics. It is a demonstration of TCL Electronics' strength as a global brand.



## TCL Electronics X10 awarded "8K TV Gold Award of the Year" at the International Consumer Electronics Show (CES)

The latest product of TCL Electronics, X10 QLDE 8K TV was awarded the "8K TV Gold Award of the Year" in the 2018-2019 CES and recognised by the industry for its advanced 8K+QLED technology, outstanding display and sound effect and leading multimedia functions. The gold award has proven TCL Electronics' strength in research and development and insight about market trend. TCL Electronics will continue to drive product development with innovative ideas and provide high quality product to meet customers' needs.
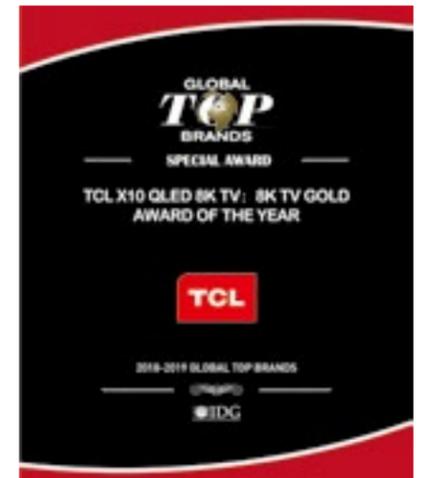
# Service quality assurance

With an enhancement of quality of life in general, on top of pursuing products quality at a reasonable price, TCL Electronics strives for quality and reputation of the services during and after sales. It is our solemn commitment to market responsibly and provide quality after-sales services, such as technical support, on-site product maintenance and product returns. Maintaining and enhancing our service and product quality are equally important to us.

We make reference to the NPS as an internal KPI to evaluate customer loyalty and to project corporate revenue and real growth. It is also used to analyse the negative comments received from the users, and to identify areas for improvement in our business chain. On the other hand, the quality training team of TCL Electronics provides two weeks of training for new joiners, through practical experience supplemented by lecture, to enable new joiners to obtain relevant skills and to maintain our service quality.
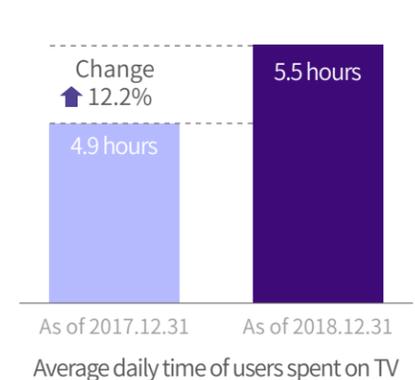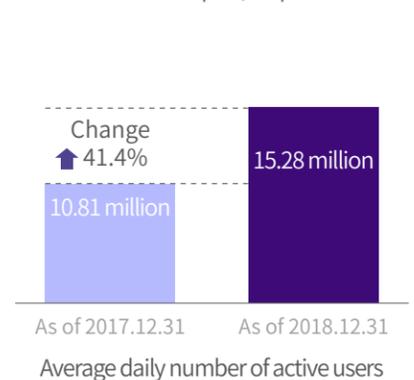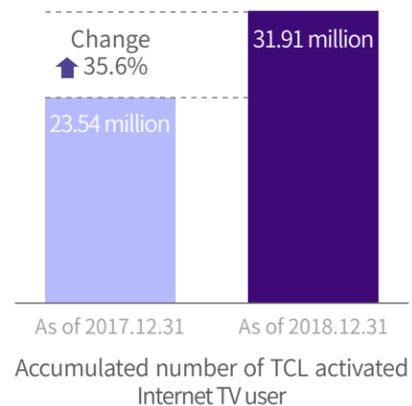
For products sales and marketing, TCL Electronics strictly complies with the Advertising Law and Regulations on Control of Advertisement of the People's Republic of China and other relevant laws and regulations. All marketing material published by the Company shall be authentic, healthy, clear and understandable. Any kinds of misleading information are prohibited. To reduce the risk of non-compliance in our sales, TCL Electronics formulated a management procedure regulating marketing activities of the TCL Sales Centre, to provide a standard guidance for the marketing materials in China regions according to the laws. For online marketing, TCL Electronics observes the Management Approach on Information Disclosure on Weibo and WeChat formulated by the TCL Corporation, regulating the use of marketing terms and communication with users and investors.

As for after-sales service, users in China can make inquiries and service requests through our Call Centre. The Shifendaojia team is responsible for providing on-site services. We comply with China's Law of Consumer Rights Protection and Measures on the Administration of Repair, Replacement and Return Responsibility for Certain Goods. If a user has purchased from a non-e-commerce channel, they can request product return, replacement or repair in 7 days if the product does not function correctly. For cases reported within 15 days of purchase, the user can choose to replace the product or arrange for repair. TCL Electronics can arrange free on-site repair services. For users located in major municipalities, we can provide on-site services within 24 hours of a request being made. For users from other cities, on-site services will be provided on reservation.

Our overseas call centre in Manila responds to technical inquiries and resolves product quality matters for all overseas users. The websites of our overseas subsidiaries provide answers to common technical questions. It is our policy to resolve users' problems during the call as far as possible. If the user requests on-site repair services or even a product return, TCL Electronics can arrange a local partner to provide the service as required.

## Accumulated number of TCL activated Internet TV user

Change ↑ 35.6%
23.54 million
31.91 million
As of 2017.12.31 — As of 2018.12.31

## Average daily number of active users

Change ↑ 41.4%
10.81 million
15.28 million
As of 2017.12.31 — As of 2018.12.31

## Average daily time of users spent on TV

Change ↑ 12.2%
4.9 hours
5.5 hours
As of 2017.12.31 — As of 2018.12.31

# Protecting customer information

For TCL Electronics, disclosing customer information without the customers' consent is forbidden. We strictly comply with General Information Security Management Procedure of the Company of the People's Republic of China and relevant laws and regulation to safeguard customer information security through technological management and privacy policy. For technological management, we have anonymised the stored data, regulated assess and modification right to server, data, confidential documents and passwords and have regular back-up and database replication to safeguard customer information security and privacy.

We communicate our "User Service Agreement and Privacy Policy" to all users prior to the use of our products. It is communicated when the user is setting up the product for the first time. The policy sets out how TCL Electronics collects, uses and protects customers' private information, customers' rights, and how customers may contact TCL Electronics for enquiries on privacy matters.

# Complaints handling

TCL Electronics is dedicated to providing customers with satisfactory products and services. We are committed to providing customer-centric and one-stop services, and proactively reaching out to customers to understand their needs.

We have an internal meeting every month on reviewing complaints received via various channels according to our internal Negative Information Handling Procedures on Digital Media. We have a monitoring system for public opinion available online incorporated with big data technology, notifying us the negative information related to our products online. Comments and information collected are discussed and analysed in the monthly meeting, to identify improvement plan in the coming month.

For customer complaints, we have established an internal procedure on Quality-related Feedback Handling. Procedures of complaints handling and responding are clearly illustrated to enable timely and responsive feedback and to enable continuous improvement in our products and services for customer satisfaction. Customers can provide feedbacks and complaints related to our products and services via hotline and TV-built-in WeChat complaint channel. Our Call Centre will respond to customer in 24 hours and arrange product return or exchange if needed. Feedbacks from customers will be documented and reported to the manufacturing departments.

## 18%

In 2018, TCL Electronics online complaints resolution rate in China region has increased by 18%.

# Safe and
# Green Production

Safety is one of the cornerstone of our business operations. TCL Electronics operates plants in China and various overseas locations. All production sites went through strict investigation, scientific and rigorous risk control, targeted management of hazards, and implementation of thorough staff safety production responsibility system. We built the safety production line, and achieved energy saving during the production process.
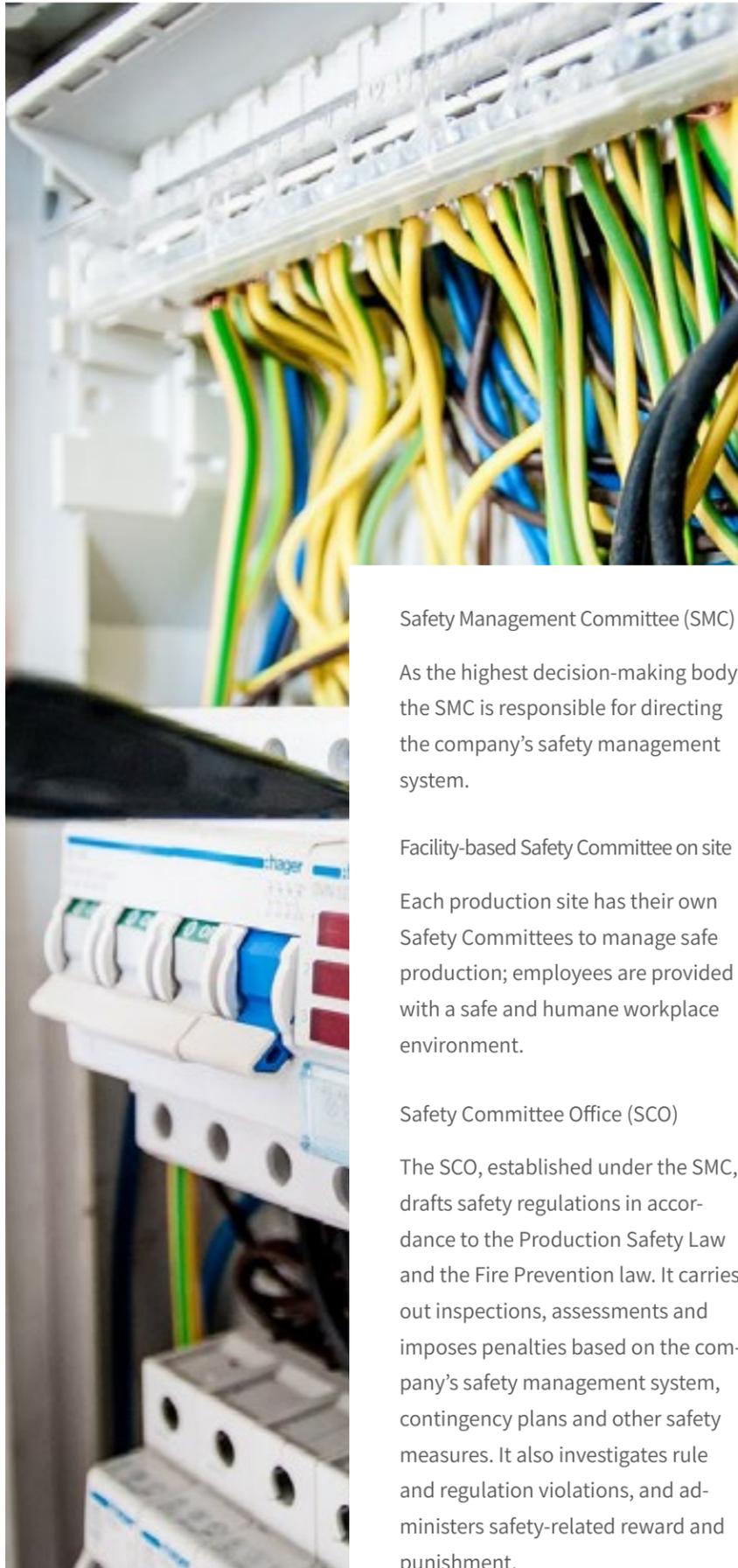
# Safety management system

TCL Electronics keeps updating and iterating its concept of safe production management. We have established and implemented OHSAS18001 Occupational Health and Safety Management System, and adhered to the goals of strengthening employees' safety awareness and promoting the development of overall safe production management. As a people-oriented company, we have created a favourable workplace for our employees, so as to safeguard our sustainable development.

## Accountability to safe production

We have a comprehensive safety production system with 18 safety management documents such as the Manual on Safety Management, Safety Quality Standards, and Incident Handling Procedure, covering hazardous material management, fire protection management, safety production inspection and safety training. Employee safety is well-guarded by our systems and management. In the meantime, we have a clear safety production management structure, which clearly states all levels of responsibilities and personnel for product safety.

**Safety Management Committee (SMC)**

As the highest decision-making body, the SMC is responsible for directing the company's safety management system.

**Facility-based Safety Committee on site**

Each production site has their own Safety Committees to manage safe production; employees are provided with a safe and humane workplace environment.

**Safety Committee Office (SCO)**

The SCO, established under the SMC, drafts safety regulations in accordance to the Production Safety Law and the Fire Prevention law. It carries out inspections, assessments and imposes penalties based on the company's safety management system, contingency plans and other safety measures. It also investigates rule and regulation violations, and administers safety-related reward and punishment.

## Innovation in safety management

Under the clear safety production management system, TCL Electronics implements various innovative management measures such as accountability by district, quarterly rotation and mandatory safety rating to strengthen the management of outsourcing business security, standardizing safety file management and ensuring the effective management of the production process, the implementation of a fire safety, and safeguarding of the interests of employees and the company.

• Accountability by district：According to the working area and nature of the business task, the factory area is divided into districts for management. One department working in a district leads the safety management efforts of the district, and the other departments working in that district must adhere unconditionally to the leading department's administration and assessment. This aims to avoid blind spots in safety management.

• Quarterly rotation：Every quarter, a department is assigned to be the safety production management and is responsible for the company's safety inspections, investigation of safety concerns, and organising, implementing and reporting on the safety operations for that quarter. The rotation mechanism has increased the participation level and responsibility awareness of supervisors from various factory headquarters, effectively enhancing exchanges on safety practices and enriching the management of SMO. This mechanism actualised the cultural concept of full participation in workplace safety.

• Mandatory safety rating：In our mandatory safety rating scheme, we use colours to symbolise the level of safety of an operation. A green light signals up to standard, a yellow light signals just up to standard, an orange light signals not up to standard and a red light signals a severe case of non-compliance. Assessment objectives have quantified annual work plan items into 8 specific indicators such as major accidents, general accidents and risk control index. With weekly, monthly and quarterly evaluations emphasising management and evaluation of the operation process, administrators of all levels benefit from an enhanced sense of safety awareness; unsafe behaviours are eliminated before occurring.

• Safety production contingency plan：The company sets up the "Safety Production Accident Contingency Plan" which standardizes production safety emergency management and improves the ability to cope with risks and prevent accidents. To ensure safety of employees and company assets, there are provisions in position for rapid control and handling of sudden safety production accidents such as, accidents including leaks of dangerous chemicals, fire and explosion, poisoning and asphyxiation, electric shock, mechanical injury, vehicle injuries, high-altitude falls, object strikes, burns, personal injury accidents, etc.

• Standardized safety file management：TCL Electronics has established a dedicated archive room for safety management. Adhering to the requirements of laws and regulations, the safety files are categorized by topic, such as production safety, occupational health, key operational unit, fire prevention, environmental protection, etc. Files are submitted, classified, and filed under the file ledger standards to support subsequent management.

### Managing safety of contractors working at TCL Electronics' sites

TCL Electronics requires 219 contractors residing at our Huizhou manufacturing plants and 157 construction contractors to sign safety agreement in order to strengthen the safety management of contractors and clarify the accountability to work safety. Based on our Contractor Operations Management Regulations, we regularly carry out safety training for resident units to improve the safety management to contractors. In 2018, incidents related to contractors decreased by 67.7%.

## Safety inspections

TCL Electronics believes that prevention is the root of safety. In 2018, we implemented the company's Safety Inspection Regulations and Safety Monitoring Rotation System to carry out regular safety hazard inspections. Each production plant performs a variety of safety inspections such as specialised or construction safety inspections to assess the safety of facilities, safety management systems, the implementation of safety management policy, safety hazards, and the safety rectification processes of all units. In addition to carrying out security inspection activities at all levels, TCL Electronics also encourages employees to actively report production risk possibilities, and every safety hazards must be examined.

Specialised safety inspections: Conduct inspection and ensure compliance with relevant production regulations on electrical safety, mechanical safety, fire safety, hazardous chemicals safety and occupational disease prevention. Professional inspections by the SMO will be administered randomly. Any safety risks identified will be prioritised for rectification by the SMO.

Construction safety inspections: Conducted on-site by functional departments organised by or the SMO itself, mainly on checking formal procedures before construction, providing supervision during construction and performing safety verification after construction.

In 2018, TCL Electronics introduced a safety inspection for night shifts in the peak season. The leaders of the Security Committee and relevant responsible personnel led the team to conduct inspections during the night shift to improve the safety management awareness of all members attending the night shifts.

# Occupational health

In addition to the importance of work safety, TCL Electronics pays close attention to the occupational health of employees at all times. By standardizing the operation process of special posts, organizing occupational disease prevention training, setting up occupational health inspection teams, emergency plans for sudden safety incidents, TCL Electronics strives to mitigate and control all health hazards at work.



## Occupational health protection mechanism

At our plants, we have identified major health hazards in processes of paint and oil spraying, paint replenishment, paint mixing, welding, and hazardous substance management and inspection. Based on these hazards, when we construct, expand or renovate our sites, projects that support prevention of occupational diseases are designed, constructed and implemented at the same time

as the main infrastructure project. Working zones with health hazards are separated from those without critical health hazards. We execute effective controls to hazardous working zones.

We have set up medical rooms in our manufacturing plants to handle first-aid, manage medicine, arrange body checks for employees, and oversee employees' health issues. First aiders are trained and assigned to every floor and every department. Their information is publicised on notice boards.

An employee assigned to special operations must pass the body check and register at the human resource department before starting his or her duties. Employees cannot be assigned to special operations if they cannot pass the body check and

are required to switch to other positions if they do not meet the health requirement. Employees must be trained on special safety requirements and receive personal protective equipment from the company before starting work. Such body checks are offered annually free of charge.

The company has established inspection teams to inspect and monitor how employees operate machines and use their personal protective equipment. The teams immediately correct non-compliance or discipline offenders. The company regularly requests the Huizhou Centre for Disease Control and Prevention evaluate the air quality and noise level at production sites.

## Occupation safety training

All departments of TCL Electronics' manufacturing plants conduct occupational safety training in depth, and improve employees' hazard identification and risk assessment capabilities. Effectiveness of the training is verified through on-site spot checks and real-life practices. Knowledge of occupational health is posted on the factory notice board to remind employees to abide by the company's occupational disease prevention requirements, and instruct on the correct way to use and maintain personal protective equipment.

### Safety Indicators for 2018

| | |
|---|---|
| Number of work-related fatalities | 0 |
| Number of injuries | 0 |
| Total lost days due to work injury | 0 |

### Emergency drills to familiarize employees with emergency response


SCO carried out dormitory fire drills at night


Drills for fire evacuation and chemical leakage at night were organized at the workshop or team level.


Power Equipment Department conducted emergency drills for special equipment-related incidents.

### Emergency response to natural disasters

On the afternoon of 20 March 2018, the SCO mobilized safety management personnel at the Liquid Crystal Industrial Park to conduct special inspections of storm-related hazards. 13 hazards had been identified and eliminated immediately. On June 8, the Liquid Crystal Industrial Park achieved zero loss against the Tropical Storm Ewiniar. On September 15, the SCO launched the emergency response to defend the Industrial Park against Typhoon Mangkhut, which included constructing temporary defence structures and suspending work and production to secure employees' lives and property.

# Green operation

TCL Electronics is committed to becoming a green manufacturing company. We strive to maintain the health of the environment while achieving growth. To improve the company's environmental performance in wastewater discharge, exhaust emissions, noise control, solid waste disposal, etc., we further invest in upgrading hardware and strengthen environmental management.

TCL Electronics has built a robust environmental management system based on ISO14001 standards, strictly implements and abides by the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Air Pol-

lution, and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, and continuously improves the systematic environmental management. The environmental performance of suppliers is monitored and assessed. We have invited external professional organisations to evaluate and monitor our workplace environmental quality, manufacturing / domestic wastewater quality, gas exhaust, solid waste, fire emergency system and hazardous chemical management. We have complied with all national and provincial environmental laws and regulations, disclosed safety and environmental information as required by law, and had no severe safety or environmen-

tal incidents in the last four years.

In every region, function unit and production site, we have appointed environmental affairs respondents. The environmental affairs respondents communicate with one another on the environmental issues of the company to serve the management of environmental affairs.

## Energy saving

TCL Electronics is committed to reducing our energy consumption. We introduced an energy management system and set up energy consumption plans, energy saving measures and energy saving targets. We conserve energy consumption through management and technical approaches, so as to improve the energy efficiency per product produced. We invest in improving the efficiency of light fixtures, injection moulding machines, air compressors and central air conditioning.

The solar power system on the roof-

top of the Huizhou Liquid Crystal Industrial Park, which is a project in collaboration with the China Southern Power Grid, was completed in April 2018. All solar power goes to our operation and accounts for 10% of the Park's electricity consumption. The thermal energy storage system for air-conditioning in the Park was also put into use this year. During off-peak hours, ice is made and stored. The stored ice is then used to cool the building during daytime. This effectively reduces grid load and improves energy efficiency. In 2018, power

generated by the solar power system totalled 3,577,455 kWh, equivalent to a reduction of 2,255.05 metric tons $CO_2$.
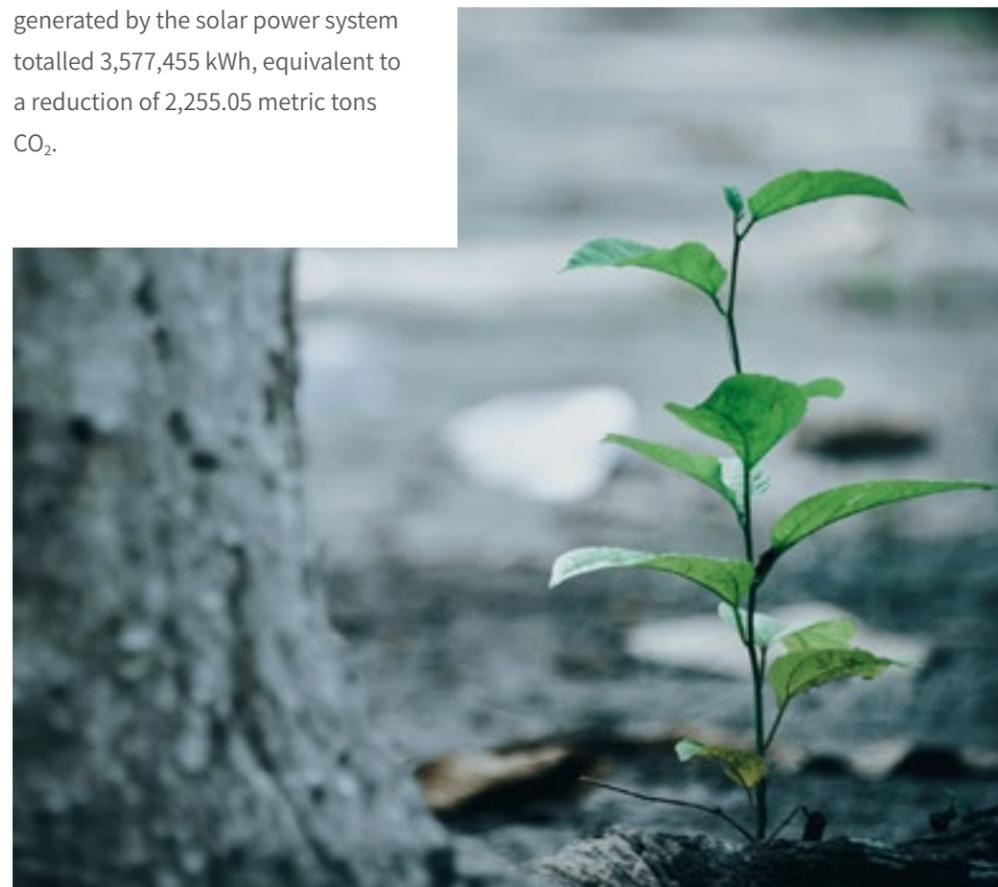
## Energy consumption at TCL Electronics
2018

**17,654L**
Diesel

**2,774,112 m³**
Natural gas

**73,480,591 kWh**
Purchased electricity

**7,703 tonnes**
Purchased steam

**3,577,455 kWh**
Solar power generation

**111,735 MWh**
Total energy consumption

**3.2%**
Renewable energy ratio

**3.91 kWh per product shipped**
Energy intensity per product shipped

## Greenhouse gas management

TCL Electronics pays close attention to global climate change issues during its development. According to the standard requirements of ISO 14064-1 "Guidelines for Quantification and Reporting of Greenhouse Gas Emissions and Removals at the Organizational Level", TCL Electronics conducts annual greenhouse gas emissions investigation and verification work from 2018 onwards. According to the greenhouse gas inventory report, TCL Electronics annually develops the Sustainable Development Targets and allocates them into factories and workshops. Each factory and workshop conducts target analysis and proposes improvement plans. The System Improvement Department monitors each factory and workshop monthly to make sure targets are hit. TCL Electronics reduces greenhouse gas emissions through the operations of the ISO500001 and ISO14001 systems.

## Greenhouse gas emissions at TCL Electronics

| Indicators | | 2018 | 2017 |
|---|---|---|---|
| Direct greenhouse gas emissions<br>Scope 1 | —— | 6,035 tonnes $CO_2$-e | 7,186 tonnes $CO_2$-e |
| Indirect greenhouse gas emissions<br>Scope 2 | —— | 46,139 tonnes $CO_2$-e | 47,884 tonnes $CO_2$-e |
| Overall greenhouse gas emissions<br>Scope 1 and 2 | —— | 52,174 tonnes $CO_2$-e | 55,070 tonnes $CO_2$-e |
| Carbon intensity per product shipped | —— | 1.82kg $CO_2$-e per product shipped | 2.37 kg $CO_2$-e per product shipped |

## Water saving

Huizhou is not a water-scarce city and locals have no difficulty in acquiring safe water. TCL Electronics is committed to cherishing and preventing waste of water resources. We have implemented water conservation improvement projects in 2018. The project covers the Liquid Crystal Industrial Park, the Huizhou overseas business production base and dormitories.

At the Huizhou Liquid Crystal Industrial Park and the nearby dormitories, we inspect our water equipment, facilities and pipelines in the park with recording of our water consumption based on meter readings. Through internal analysis and discussion, we identify the following key areas of improvement:

• Leakage of fresh water pipe and fire service pipe;

• Water supply valves are aging and vulnerable;

• Leakages due to failure of floating ball valves of central air conditioning and air compressing equipment;

• Defect of metering and control to energy consumption.

Through improvement initiatives, the water consumption of the Liquid Crystal Industrial Park in 2018 decreased by 5.03% year-on-year, saving a total of 95,861 cubic meters of water resources.

At the Huizhou overseas business production base, we have taken a number of measures to strengthen our control to water consumption, which include enhancing the inspections to water supply systems so as to identify and replace any parts which are out of order. During the course of maintenance, we replace old parts with safe, reliable and water-saving equipment and fixture, so as to avoid further leakages from the pipes and valves. When an abnormal level of water consumption is identified and the above-ground pipes are confirmed to be normal, we will inspect underground leakage using professional technique and equipment. We have also introduced the remote-control system with LCD display to the water supply system, allowing us to instantly observe and fix any system abnormality, such as abnormal water pressure and tank overflow.

### Water consumption at TCL Electronics

| Indicators | 2018 | 2017[1] |
|---|---|---|
| Total water consumption | 981,917 m$^3$ | 1,081,275 m$^3$ |
| Water intensity per product shipped | 34.3L per product shipped | 46.5L per product shipped |

[1] Water consumption metrics covers offices in Shenzhen and Huizhou, China, manufacturing plants in Huizhou and Chengdu, China, Poland and Mexico.

### Chemicals management

TCL Electronics strictly manages chemical substances in products and establishes strict chemical substance management policies. We comply with the RoHS and REACH directions. Through technology development and process improvement during product design and production, we minimize the use of hazardous chemicals in our products. All of our products have been awarded the IECQ QC 080000 Hazardous Substance Process Management qualification. We have eliminated the use of plastics which contain an excessive level of lead, mercury, cadmium, chromium VI, polybrominated biphenyls (PBB) or Polybrominated diphenyl ethers (PBDE).

## Waste management

TCL Electronics commits to green production. We are exploring clean production and waste recycling. TCL Electronics has established strict hazardous waste management policies to implement the hazardous waste management accountability system to ensure that all hazardous wastes are properly treated.

### VOCs management

In 2018, TCL Electronics continues its effort in reducing VOCs emission. First, we control the emission of VOCs from the source by high-light substitution, hardware replacement, front-end closed collection and other source control methods. At the same time, the end treatment system has been improved from "swirl purification tower + dry filter + activated carbon filter" to "swirl purification tower + high efficiency biological seasoning tower". CNY 1,474,900 had been invested. Upon implementation of the reduction measures, 80 metric tons of VOCs emission can be reduced and around 100 metric tons of activated carbon can be conserved per year.

The hazardous wastes of our Huizhou operations are collected and treated by Huizhou TCL Environmental Technology Co., Ltd. of the TCL Corporation. Huizhou TCL Environmental Technology Co., Ltd. has acquired the Permit for Operation of Dangerous Wastes. Hazardous waste from other production sites is collected and treated by qualified third parties. For non-hazardous waste, TCL Electronics adheres to the principle of sustainability and recycles them as far as possible.

### Minimizing exhaust emissions

The main air pollutants emitted are volatile organic compounds (VOCs) due to paint spraying. In order to manage VOCs effectively, in 2018, TCL Electronics has implemented comprehensive treatment projects to reduce VOCs emissions on top of compliance requirement.

### Hazardous waste produced and transferred at TCL Electronics

| | 2018 | 2017 |
|---|---|---|
| Paint waste | 70 tonnes | 134 tonnes |
| Paint scrap | 53 tonnes | 10 tonnes |
| Oil-contaminated wastewater | 24 tonnes | 4 tonnes |
| Empty oil buckets | 9 tonnes | 15 tonnes |
| Others | 88 tonnes | 17 tonnes |

### Non-hazardous waste produced at TCL Electronics

| | 2018 | 2017 |
|---|---|---|
| Carton boxes | 4,258 tonnes | 4,517 tonnes |
| Plastics | 1,152 tonnes | 1,142 tonnes |
| Expanded polystyrene | 1,116 tonnes | 1,018 tonnes |
| Others | 2,542 tonnes | 1,723 tonnes |



After the implementation of this program, "swirl purification tower + high efficiency biological seasoning tower"

# Creating Opportunities for Our Employees

We would never be successful without the contributions of our people. Our brand is built upon our people who procure our materials, develop, manufacture and market our products. As such, we are committed to responding to our people's career needs, respecting them and acknowledging their contributions.

Globalization is our key strategy. We have a diverse team originating from different countries, with different cultural backgrounds that supplement one another. Our people leverage the company's exposure to the global market to facilitate their growth.
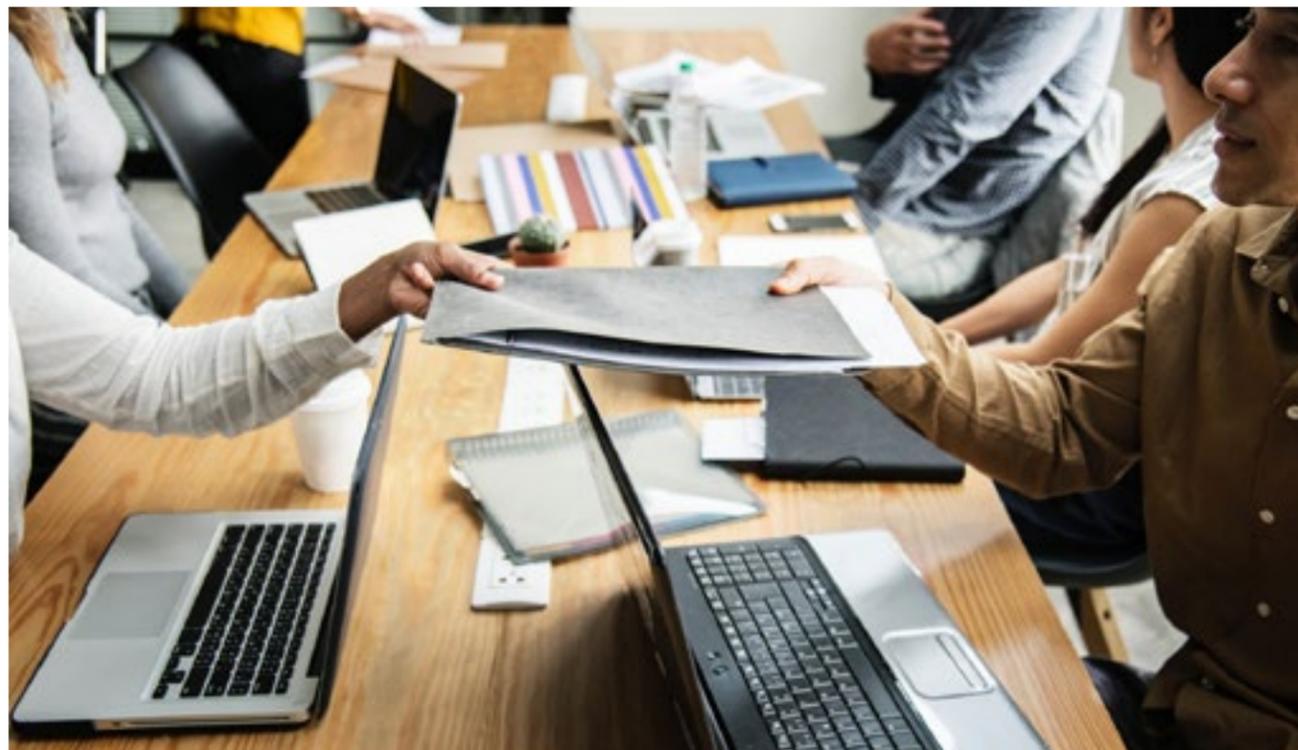
## Our people in China

TCL Electronics observes the nation's relevant laws and regulations such as the Labour Law of the People's Republic of China and Labour Contract Law of People's Republic of China. We insist on equal employment because employees are our most valuable asset. We actively protect the rights and interests of employees, promptly and legally settle contracts with them, and manage contracts in accordance with the Labour Contract Law of People's Republic of China and any applicable local regulations. TCL Electronics' internal management systems on employment and promotion, training and development, compensation and benefits, which aim at creating a fair, inclusive and transparent working environment, are documented as the Employee Handbook. On compensation, the Company complies with regulations such as Social Security Law of People's Republic of China and Tax Law of People's Republic of China. We accordingly adjust an employee's remuneration package based on his or her performance and leaves taken, so as to safeguard the fairness of remuneration system. On career development, we offer various career development pathways. Employees can set their own career goals for fair appraisal. Employment contracts are terminated based on mutual agreement between the employee and the company. We observe the Labour Contract Law of People's Republic of China when implementing dismissal procedures. TCL Electronics observes and complies with the clauses related to working hours in the Labour Law of People's Republic of China and does not extend working hours of workers without valid reasons. Managers and employees shall work together to enhance work efficiency and achieving work-life balance.

In accordance with the Rules on Special Protection for Juvenile Workers, TCL Electronics treats juvenile workers[2] equally, respects their personal dignity and organises relevant training that promotes their career development. By combining education and protection, we promote the development of their physical and mental health. Meanwhile, TCL Electronics strictly implements state council's laws and regulations like Provisions on the Prohibition of Using Child Labour, Law of the People's Republic of China on the Protection of Minors, and Special Protection of Minors Regulations, prohibits the use of child labour and strictly examines candidates' identities during recruitment. In case of any violation, the child labour would immediately be prevented from working and sent to hospital for a medical examination. We would then notify local bureau of labour and return the juvenile to his or her place of residence upon the bureau's approval. We would also request for a signature from parent or guardian and stamped confirmation from respective government agency on documents. The documents would be filed by our personnel department.

In order to address the shortage of manpower during the peak season, we recruited interns and dispatched labour to secure our manpower. TCL Electronics also protects the legal rights and interests of interns and dispatched labour, and urges labour dispatch companies to act the same. In addition, TCL Electronics implements school-enterprise collaboration and works with local technical institutes to provide internship opportunities for students to expand the talent pool for the future.

**Total number of employees**
26,814

**Breakdown by gender**
Male
16,030

Female
10,784

**Breakdown by age**
29 and below
13,844

30-49
12,433

50 and above
537

**Breakdown by employment type**
Entry level dispatched labour included
26,626

Middle management
156

Senior management
32

**Breakdown by geography**
Mainland China
24,726

Hong Kong, Macau and Taiwan
58

Overseas
2,030
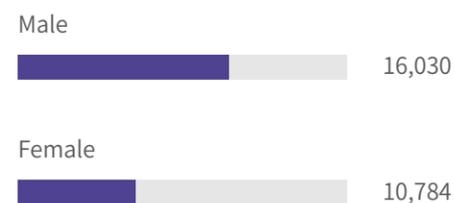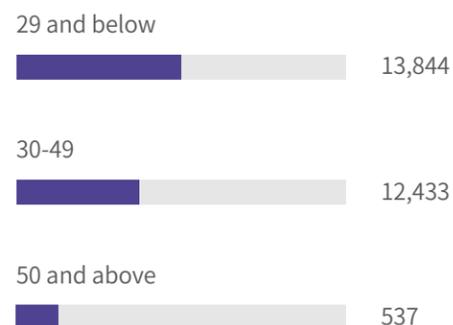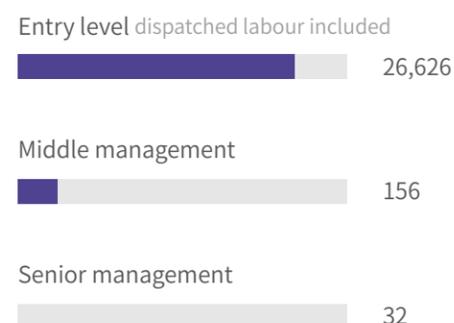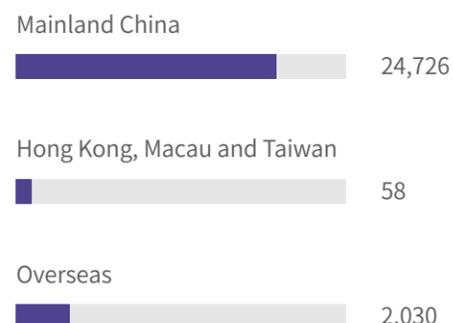
[2]　Juvenile workers refer to workers aged between 16 and 18 according to the law of China.

## Benefits and subsidies

TCL Electronics considers employee benefits and protection. We provide reasonable allowance for each contributing employee and share the company's value with them. Diverse employee welfare programs are offered to enable them to feel the care from the company.

The company contributes social insurance and Housing Provident Fund for all employees according to legal requirement. Some employees enjoy supplementary pension insurance to better protect their lives after retirement. The company provides additional benefits within reasonable range, such as communications subsidies, computer subsidies, transportation subsidies. On the other hand, employees enjoy various benefits including physical examinations, holiday gifts, special paid leave, company shuttle transport and staff accommodation.

## Remuneration and incentives

In terms of remuneration system, TCL Electronics strives to maximize the reasonableness and fairness of remuneration.

Our incentive system is designed based on the profit-sharing principle. On top of basic salary, we offer variable salary for short-term and long-term incentives. Salary review is conducted regularly. The company also issues bonuses to employees based on annual results and individual performance. This is for recognizing and rewarding employees who are capable and contributing so as to enhance work morale. At the same time, the company prioritized on investment on offering incentives for sales, product project, innovation and technology to support the enhancement in product development, marketing and technological innovation. Long-term incentives schemes are opened for senior management and key employees to strengthen talent retention and motivation.



## Internal awards

TCL Electronics encourages employees to actively participate in corporate affairs and improve the business performance and their ability. A number of employee awards, including but not limited to Accountability Star, Excellent Employee Award, Excellent Manager Award, Internal Referral Award, Peak Season Incentive Special Contribution Award, are given each year.

• Accountability Star: Accountability is one of the company's core values. The Accountability Star award has been set up to commend individuals and organisations which aim high, deliver results and complete missions. Employees who are proactive, perform well and match the company's culture of accountability have the opportunity to be the Accountability Star each quarter/year.

• Excellent Staff and Excellent Manager Awards: TCL Corporation selects "Excellent Employees of the Year" or "Excellent Managers of the Year" at the group, TCL Electronics, centre and business division level to recognize employees and managers with outstanding performance and contributions.

• Internal Referral Award: TCL Electronics sets an Internal Referral Award to encourage employees to refer outstanding talents to the company. Successful referees are rewarded with generous cash prize based on the rank of recruited position.

• Peak Season Incentive Special Contribution Award: TCL Electronics has set Peak Season Incentive Special Contribution Award to recognise individuals and teams who have made outstanding contributions to the company's development during the peak season. We provide cash rewards and paid holidays to awarded employees.

## Fishbone Diagram

**Benefits**
- Food（5/5）
- Accommodation（1/1）
- Holiday/peak season benefits（1/1）

**Remuneration**
- Salary structure/rules (1/1)
- Internal equality
- External competition

**Work-life balance**
- Working hours/appropriate rest（0/1）
- Working intensity (1/2)
- Break（2/3）
- Leisure activities

**Communication**
- Employee communication session (2/2)
- Feedback channels（1/1）
- Timely response to complaints (1/1)

**Workshop management**
- Primary level management (3/4)
- Labour protection appliance (2/2)

**Working environment**
- Environmental comfort (3/4)
- Toilet（1/1）
- Attendance machine (2/2)
- Changing room/shoe changing area

## Labour unions and employees communication

TCL Electronics understands that the relationship with employees needs to be maintained. We focus on solving employees' conflicts. Through optimising the trade union structure and carrying out employee's living quality meetings, we provide feedback channels to solve the pain points our employees experienced and create a sense of belonging for them.

Trade unions are an important channel for employees to communicate with a company. The TCL Electronics Union consists of three sub-unions. The King Union represents the employees of TCL King Electrical Appliances (Huizhou); the SCBC Union represents the employees of TCL Strategic Customer Business Centre; and the New Technology Union represents non-manufacturing employees. Each sub-union has a Cultural and Sports Secretary, Promotion Secretary, Manufacturing Secretary, Living Affairs Secretary, and Female Worker Affairs Secretary to speak on behalf of union members and protect their rights of autonomous management. Employee representatives meet and get elected regularly.

We hold employee's living quality meeting quarterly, and engage employee representatives to raise questions and feedback on performance, benefits, attendance, compensation, meals, dormitories, and administration, etc. After the meeting, the relevant departments will carry out improvement measures and plan completion time to practically solve the inconvenience in employees' lives and work.

We develop improvement plans by evaluating NPS to alleviate employees' pain, enhance employees' experience and understand the sustainability of corporate operation based on the employees' integrated perceptions. NPS covers all employees and obtains the authentic feedback and opinions from employees on a quarterly basis. We continuously improve employee experience on six aspects: welfare, communication, compensation, factory management, work-life balance and work environment. It ranges from catering, accommodation, holidays/peak season welfare, employee communication, feedback channel, complaint response, compensation structure, internal fairness, external competitiveness that employees encounter personally. In 2018, TCL Electronics developed 35 improvement action plans based on NPS, and 29 projects were completed to improve the employee's experience.

## Employee culture and care

TCL Electronics adheres to the people-oriented philosophy and attaches great importance to increase the employee's sense of well-being. We pay attention to employee's work-life balance, and is committed to building an open, inclusive and healthy corporate culture. The company organises various cultural and sports activities every year, including birthday parties and traditional festive celebration, allowing employees to participate in organising, planning and implementing the activities, demonstrate their talents, and increase team cohesion.

In 2018, in order to promote the spirit of "help the poor, support each other, and spread love", TCL Electronics donated a total of CNY 202,000 to employees with difficulty through the "Love Mutual Fund" introduced by the trade unions. It helps them alleviate their burdens from living and medical treatment and solve their urgent needs.

### Spring Festival Party to Celebrate New Year



On the New Year's Eve in 2018, TCL Electronics organised a Spring Festival Evening Party, and the wonderful performances were overwhelming. For example, we had a melodrama written, directed and performed by our employees, rap band and cabaret performances etc. The atmosphere was spectacular. At the Spring Festival Evening Party, TCL Electronics' employees actively demonstrated their talents and enjoyed the new year's night.

### Traditional Festival Celebrations



TCL Electronics celebrates major traditional festivals with its employees. For the Mid-Autumn Festival, Children's Day, Dragon Boat Festival and Girls' Day, we customised TCL Electronics' exclusive gifts for our employees, and organised dinners and other activities to celebrate the festivals. These events developed a caring and warm atmosphere.

### Employee Birthday Celebrations

In 2018, TCL Electronics organised collective birthday parties for employees born in each month. The activities were rich in content with various forms. In addition, we combined the employee birthday party with International Women's day and Mid-Autumn Festival in March and September, and organised birthday events, gatherings, gifts giving and other activities. These strengthened the relationships of TCL Electronics family and provided employees with more communication platforms.

# Our people across the world

TCL Electronics implements an international and diversified strategy. Its subsidiaries are well-established around the world to develop outstanding talents in different fields. Our employees come from diverse cultural backgrounds. For overseas employees, TCL Electronics fully respects the beliefs and customs of local employees and provides an equal employment environment. Through the exchange and understanding between the Chinese and overseas employees, the company facilitates recognition and integration between different cultures.

### TCL Vietnam Team Building Event

Between 11 and 13 September 2018, TCL Vietnam organized a team-building event integrating outdoor sports and travel. Employees went outdoor and completed various collaborative games. The team building event established trust among employees and promoted their work-life balance.

### TCL US Local Customs and Activities

On 1 November 2018, TCL US organised a Halloween fun makeup show. Employees can dress up as their favourite characters, and they can bring their families to the office to do "Trick or Treat". The event quickly brought everyone at the workplace together and gave employees a sense of home.

# Development and training

TCL Electronics regards talent development as an important driver for the company's sustainable development. We set up multi-dimensional and diversified development paths for employees. Through comprehensive talent capacity-building and TCL Electronics' vunique training programs, the quality of employees is improved in all aspects. We are committed to providing a broad platform for the growth and development of employees.

### Overall talent development mechanism

TCL Electronics adheres to the concept of "Entrepreneurial, Trustworthy, Competent, Delivering Results, and Sharing Benefits" in talent development. Based on the principle of matching personal development with competence for the position, we provide employees with multi-dimensional development channels including professional, technical and managerial aspects. According to the Employee Handbook, after the employee is promoted from assistant engineer to intermediate engineer, he or she can choose one of the three streams – technical development, professional development and managerial development – according to his or her own ability and will. After passing the competency test, he or she will be promoted according to the stream picked. Through effective talent development approach, we will cultivate a team of talent with international vision, professionalism and specialisation, realising the common development of employees and enterprises.

## Talent training

TCL Electronics takes to its heart talent cultivation. Under the strategic and business development needs, we continuously innovate and establish talent training system for high potential, managerial, professional, general and strategic project personnel. It satisfies the need for employees at different levels to enhance the personal competence.

Training for high potential personnel is named after "Eagle", symbolizing talents who achieve sky-high results. The Eagle series aims to establish a pool of managerial talents, and is the core of TCL Electronics' succession plan. Organised by the Human Resources Department, the high potential training programs with general skills and capacity training, self-learning, management and leadership training series cultivate high potential employees to operate, lead and manage.

The managerial training program focuses on cultivating the skills, providing tools and methodologies that managers should know and perform to improve the competency of junior, middle and senior management staff.

The professional curriculum covers the roles of various departments and positions, such as research and development, products, innovation, legal affairs and finance.

General project courses cover an even wider range of topics including language, patents and career professionalism.

Strategic project training: In order to improve employee's skills, motivate and retain excellent employees, depending on the job requirements, the company also provides various forms of special training and training subsidy for skeleton crews and high potential employees at different levels, such as middle and senior management MBA/EMBA training, Eagle Series Management and Leadership Training.

In addition to face-to-face teaching, TCL Electronics also provides a variety of learning resources for participants, including abundant online learning resources. We organise interactive and hands-on workshops where the trainees give presentations. TCL Electronics has nurtured a number of in-house lecturers as an important supplement to employee training for imparting experience to trainees from the employee's perspective. The Employee Handbook stipulates that for the training courses certified by the Human Resources Department, the company can offer tangible rewards to the internal lecturers, and ensure the sustainable development of personnel training. In 2018, the certified lecturer team has expanded to 30. 50 more courses had been developed and certified. E-HR online learning platforms and applications were launched.

## 61

Average training hour of employees

**Breakdown by employment type**

Senior management

60

Middle management

21

Junior staff

61
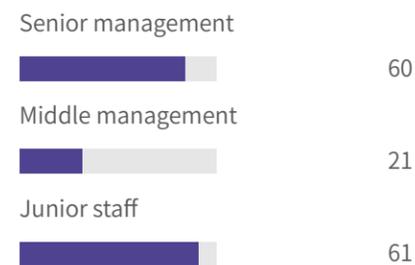
### Taobao University - TCL New Retail Institute

On 26 January 2018, TCL Electronics and Taobao University co-founded the Taobao University – TCL New Retail Institute. The Institute was established in Kuyu Network Technology in form of a virtual academy. Through in-depth communication with Taobao University, TCL Electronics focuses on new retail trends, explores organisational transformation and talent enhancement strategies, promotes emerging business collaboration, develops and implements new retail projects, and builds a new retail online learning platform for all-round communication and collaboration.

Majestic Eagles

Soaring Leaders — CXO/General Manager

Elite Eagles — Director

Flying Eagles — Department Head

Rookie Eagles — Manager

Officer — Supervisor

**Newly appointed junior level manager** — Quick competence and report in half year

**Newly appointed middle level manage**

**Newly appointed senior manager** — 5 steps for newly appointed manager

Newly appointed (Competence improving) — Focus on competence, leadership and genera Management

High-potential (speeding up growth) — Skill training for managers, including tools and methodology

—— **Rookie Eagles**
For graduate recruits. The training and attention period is 1 year.

—— **Flying Eagles**
For potential middle management. The training period is half a year.

—— **Elite Eagles**
For potential directors. The training period is 1 year

—— **Majestic Eagles**
For potential General managers. Provide irregular training according to different stage needs.

# Bringing Warmth
# to the Community

In 2018, TCL Electronics continued its mission on the journey of philanthropy and proactively fulfilled its corporate social responsibility. We devotedly participated in diverse charitable activities to demonstrate corporate's social value, turning our effort into achievement, we forge ahead in education programs, community philanthropy, overseas charity activities and other aspects to drive sustainable development in the society with action.

# Spreading love



## Education

TCL Electronics has organized charitable activities for education through Mutual Help Fund. TCL Electronics donated CNY 100,000 to the Tomorrow Program through China Charities Aid Foundation for Children in 2018.Moreover, TCL Electronics donated CNY 100,000 to Yucai Education Group and CNY 5,000 to Xili No.2 Primary School education project respectively through Student Assistance Program in 2018. These supports allowed disadvantaged students to feel the care by the society and company and enabled them to finish their studies.





## Caring for the disabled

TCL Electronics has strived to do our best to improve the social status and living quality of people with disabilities through donation, living support, and mental support.

### Donation

TCL Electronics donated CNY 10,000 allowance to 10 disabled persons in Xili District so they can support themselves.

### Living support

Three of our volunteers bought daily necessities worth CNY 3,000 and visited the community to reinforce our care to the community.

### Continuous care

TCL Electronics stays in touch with the beneficiaries to understand their physical health and living conditions through online channels and home visits.

### Precise assistance

TCL Electronics offers suitable job opportunities to implement precise assistance according to the beneficiaries' condition, providing them with a stable source of income.

## Integrating with the community

TCL Electronics has been proactively integrating into the community. We get close to the members of the community from lifestyle and art perspectives. We make good friends with residents nearby and create harmonious community together.



### WeChat community engagement – "What do you have for your Chinese New Year's Eve dinner?"

On 15 February 2018, TCL Electronics launched a campaign on its WeChat public account to call for photos of family dinners on the Chinese New Year's Eve. Many members of the community submitted entries, creating a celebrative atmosphere of the new year. This event also created a stronger sense of belonging, bringing people together through digital devices to welcome the Chinese New Year.

# Philanthropy overseas

TCL Electronics operates globally. As we operate in global markets, we give back to the local communities. The overseas projects for environmental protection, charity and donation etc. have been conducted smoothly and successfully. Our efforts have been well recognised by the local communities.



## A Green Act
## Tree Planting in Thailand

On 6 October 2018, TCL Electronics (Thailand) collaborated with the government of Thailand on an activity themed "caring for nature". Around a hundred members of TCL Electronics planted 300 trees in total on the event day. The contribution of TCL Electronics was well recognised by the local media, Representatives from the Thai Government also expressed gratitude to TCL Electronics for the good deeds. The tree planting activity also helped raise local people's awareness of environmental and ecological protection. TCL Electronics will continue to extend the love and care to more places, and hopes to raise the society's and company's awareness of environmental protection.

## TCL North America Supported Emilio Nares Foundation（ENF）

On 6 September 2018, TCL North America announced to support ENF, a foundation with a mission to provide assistance to junior cancer patients and their families. Supporting the Children Cancer Awareness Month, TCL Electronics donated 1% of the sales revenue of television from Amazon in September to ENF. TCL North America, together with its business partners and employees, also raised nearly USD 30,000 for ENF several weeks before the Children Cancer Awareness Month. In addition, the company collected a lot of donated goods for silent auction. It assisted ENF's work in supporting families with children diagnosed with cancer.



## "TCL SHARING LOVE Season 3"
## Philanthropic Trip to Vietnam

To continue our effort in the previous two seasons of "TCL BIG SHARE", our philanthropic footsteps come to Vietnam this year. On 20 November 2018 -- which was Teacher's Day in Vietnam – TCL Electronics (Vietnam) collaborated with the association in support of the handicapped and orphans in Da Nang. We donated six S6500 televisions and hundreds of gifts to orphanages for orphans and autistic children. At the same time, the company also sponsored the nurturing of 53 children with autism or other disabilities.

Through this philanthropic event, the company offered joy to the children, increased ways of learning and improved their prospect. The company will also continuously support special needs groups and adhere to our principle of "creating educational and learning opportunities for disadvantaged groups", in pursuit of sustainable community development.





## Promoting Cultural Diversity
## Donation by TCL Australia

On 11 September 2018, TCL Australia donated a C4 series UHD television to the Chinese Museum in Melbourne for displaying exhibition video clips, as a move to support the promotion of Chinese culture and facilitate fusion of diversified culture. Mark Wang, Director of the Museum, showed his appreciation to TCL's generosity. The donation not only fostered cultural diversity but also promoted the development and preservation of the local museum.

# Sustainability Performance Overview

## A.Environment

|  | Sustainability KPIs | Unit | 2018 Data |
|---|---|---|---|
| A1. Emissions | | | |
| A1.3 | Total hazardous waste generated[3] | | |
|  | Paint waste | Tonnes | 69.80 |
|  | Waste paint residue | Tonnes | 53.46 |
|  | Wastewater with oil | Tonnes | 23.57 |
|  | Empty bucket | Tonnes | 9.20 |
|  | Others | Tonnes | 87.54 |
| A1.4 | Total non-hazardous waste generated | | |
|  | Carton box | Tonnes | 4,257.51 |
|  | Plastic | Tonnes | 1,151,71 |
|  | EPS | Tonnes | 1,115.74 |
|  | Others | Tonnes | 2,542.01 |
| A2. Use of Resources | | | |
| A2.1 | Energy consumption | | |
|  | Diesel | Litre | 17,654.37 |
|  | Natural gas | Cubic metre | 2,774,112.00 |
|  | Purchased electricity from grid | Kilowatt hour(kWh) | 73,480,591.00 |
|  | Purchased steam | Tonnes | 7,703.00 |
|  | Solar energy generation | kWh | 3,577,455.00 |
| A2.2 | Water consumption | | |
|  | Water consumption | Cubic metre | 981,917.32 |
| A2.5 | Total packaging material used for finished products | | |
|  | Carton box | Tonnes | 699,284.21 |
|  | User manual | Tonnes | 6,085.64 |
|  | Plastic foam （EPS） | Tonnes | 12,392.48 |

[3] Refers to hazardous waste transferred away from site and the figure can be different from the actual hazardous waste generated in the year since hazardous waste may not be immediately transferred after it is generated.

## B. Social

|  | Sustainability KPIs | Unit | 2018 Data |
|---|---|---|---|
| B1. Employment | | | |
| B1.1 | Total workforce by gender, employment type, age group and geographical region | | |
|  | Total workforce | Number of people | 26,814 |
|  | Total workforce by gender | | |
|  | Male | Number of people | 16,030 |
|  | Female | Number of people | 10,784 |
|  | Total workforce by employment type | | |
|  | Senior management | Number of people | 32 |
|  | Middle management | Number of people | 156 |
|  | General staff (dispatched labour included) | Number of people | 26,626 |
|  | Total workforce by age group | | |
|  | 29 and below | Number of people | 13,844 |
|  | 30-49 | Number of people | 12,433 |
|  | 50 or more | Number of people | 537 |
|  | Total workforce by regions | | |
|  | Mainland China | Number of people | 24,726 |
|  | Hong Kong, Macau and Taiwan | Number of people | 58 |
|  | Overseas | Number of people | 2,030 |
| B2. Health and Safety | | | |
|  | Number of work-related fatalities | | |
|  | Number of work-related fatalities | Number of people | 0 |
| B2.2 | Lost days due to work injury | | |
|  | Number of injuries | Times | 0 |
|  | Total lost days due to work injury | Days | 0 |
| B3.Development and Training | | | |
| B3.2 | Average training hours completed by gender and employee category | | |
|  | Total number of training hours completed | Hours | 1,634,480 |
|  | Average training hour of employees | Hours | 61 |
|  | Average training hour of Senior management | Hours | 60 |
|  | Average training hour of Middle management | Hours | 21 |
|  | Average training hour of Junior staff | Hours | 61 |
| B5.Supply Chain management | | | |
| B5.1 | Number of suppliers by geographical region | | |
|  | Number of suppliers by geographical region | | |
|  | Mainland China | Number of suppliers | 420 |
|  | Hong Kong, Macau, Taiwan and overseas | Number of suppliers | 62 |

# Content index

## Aspect A1: Emissions

| Aspects, General Disclosures and KPIs | Descriptions | Disclosure Paragraph | Remarks |
|---|---|---|---|
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issue relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | 7.3 Green operation | |
| KPI A1.1 | The types of emissions and respective emissions data. | Not disclosed | The exhaust gas emitted by the company is mainly volatile organic compound (VOC) coming from the painting process of Huizhou production plant. The VOC emissions are regularly tested by the Huizhou City regulatory authorities and are in compliance with the standards set by the local government. The company has no statistics on the total annual emissions of VOC. |
| KPI A1.2 | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity | 7.3 Green operation | |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity | 7.3 Green operation | |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity | 7.3 Green operation | |
| KPI A1.5 | Description of measures to mitigate emissions and results achieved. | 7.3 Green operation | |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | 7.3 Green operation | For non-hazardous waste, the company adheres to the principle of sustainability and recycles it as much as possible. TCL Electronics has not set a strategy to reduce waste generation. |

## Aspect A2: Use of Resources

| Aspects, General Disclosures and KPIs | Descriptions | Disclosure Paragraph | Remarks |
|---|---|---|---|
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | 7.3 Green operation | |
| KPI A2.1 | Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity | 7.3 Green operation | |
| KPI A2.2 | Water consumption in total and intensity | 7.3 Green operation | |
| KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | 7.3 Green operation | |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | 7.3 Green operation | TCL Electronics mainly uses municipal water and has no issue in sourcing water. |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | 6.1.3 Conserving packaging material | |

## Aspect A3: The Environment and Natural Resources

| Aspects, General Disclosures and KPIs | Descriptions | Disclosure Paragraph | Remarks |
|---|---|---|---|
| General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | Not disclosed | TCL Electronics believes that our activities have not directly affected the ecological environment in the vicinity of the operation site. We have not affected the supply of materials in the natural world when we obtained the raw materials used to produce TV sets. Our products may have an impact on the ecological environment during the disposal phase. The policies to reduce these impacts are mainly to strictly control the content of harmful substances in the products and to recover TCL TV products based on the ability of TCL Corporation to recycle electronic products. |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Not disclosed | |

## Aspect B1: Employment

| Aspects, General Disclosures and KPIs | Descriptions | Disclosure Paragraph | Remarks |
|---|---|---|---|
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | 8 Creating opportunities for our employees | |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region. | 8 Creating opportunities for our employees | |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | Not disclosed | The company considers this indicator to be commercially sensitive and therefore does not disclose it. |

## Aspect B2: Health and Safety

| Aspects, General Disclosures and KPIs | Descriptions | Disclosure Paragraph | Remarks |
|---|---|---|---|
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | 7.2 Occupational Health | |
| KPI B2.1 | Number and rate of work-related fatalities. | 7.2 Occupational Health | |
| KPI B2.2 | Lost days due to work injury. | 7.2 Occupational Health | |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | 7.2 Occupational Health | |

## Aspect B3: Development and Training

| Aspects, General Disclosures and KPIs | Descriptions | Disclosure Paragraph | Remarks |
|---|---|---|---|
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | 8.3 Development and Training | |
| KPI B3.1 | The percentage of employees trained by gender and employee category | 8.3 Development and Training | |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | 8.3 Development and Training | Our training records have yet to allow a breakdown of training hours by gender. |

## Aspect B4: Labour Standards

| Aspects, General Disclosures and KPIs | Descriptions | Disclosure Paragraph | Remarks |
|---|---|---|---|
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to preventing child and forced labour. | 8.1Our people in China | |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | 8.1Our people in China | |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | 8.1Our people in China | |

## Aspect B5: Supply Chain Management

| Aspects, General Disclosures and KPIs | Descriptions | Disclosure Paragraph | Remarks |
|---|---|---|---|
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | 5.3 Share our success with business partners | |
| KPI B5.1 | Number of suppliers by geographical region | 10 Sustainability performance overview | |
| 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. | 5.3 Share our success with business partners | |

## Aspect B6: Product Responsibility

| Aspects, General Disclosures and KPIs | Descriptions | Disclosure Paragraph | Remarks |
|---|---|---|---|
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | 6 Creating value for our users | |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | 6.1.4 Product safety | |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | 6.2 Product and quality assurance | The company believes that the "NPS" and "three-month average early check-in rate" are relatively common quality indicators for the TV industry. |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | 5.2.1 Respect for intellectual property rights | |
| KPI B6.4 | Description of quality assurance process and recall procedures. | 6.2 Product quality assurance | |
| KPI B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | 6.3.1 Protecting customer information | |

## Aspect B7: Anti-corruption

| Aspects, General Disclosures and KPIs | Descriptions | Disclosure Paragraph | Remarks |
|---|---|---|---|
| General Disclosure | Information on: <br>(a) the policies; and <br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | 5.2 Complying with the law | |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases | 5.2.2 Complying with the law | |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | 5.2.2 Complying with the law | |

## Aspect B8: Community Investment

| Aspects, General Disclosures and KPIs | Descriptions | Disclosure Paragraph | Remarks |
|---|---|---|---|
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | 9 Bring warmth to the community | |
| KPI B8.1 | Focus areas of contribution(such as education, environment, labour needs, health, culture and sports) | 9 Bring warmth to the community | |
| KPI B8.2 | Resources contributed (such as money and time) | 9 Bring warmth to the community | |

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