



Environmental, Social and Governance Report 2016



Jin Bao Bao Holdings Limited
金寶寶控股有限公司

Stock Code: 1239

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ABOUT THIS REPORT

Jin Bao Bao Holdings Limited (the “Company”, together with its subsidiaries as the “Group”) is pleased to present the first Environmental, Social and Governance Report (the “Report”) to provide an overview of our commitment to achieving environmental, social and governance goals through our sustainability pillars and provide information on the policies and practices implemented. The Report is prepared by the Group with the professional assistance of APAC Compliance Consultancy and Internal Control Services Limited.

PREPARATION BASIS AND SCOPE

This Report is prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) — “Environmental, Social and Governance Reporting Guide” and has complied with the “comply or explain” provisions to the Listing Rules.

This Report summarises the effort contributed by the Group in respect of corporate social responsibility in 2016, covering its operation which is considered as material by the Group — design, manufacture and sale of packaging products and structural components in the People of Republic of China (“PRC”). As it is the first time for the Group to publish of the Report, it does not contain all recommended disclosure. The Group will continue to optimise and improve the disclosure requirements. This Report shall be published both in Chinese and English. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

REPORTING PERIOD

This Report demonstrates our sustainability initiatives during the reporting period from 1 January 2016 to 31 December 2016.

INTRODUCTION

The Group is a provider of packaging products and structural components in the PRC. We specialise in the design, manufacture and sale of packaging products made primarily of expanded polystyrene (“EPS”) and expanded polyolefin (“EPO”) for packaging of consumer electrical appliances such as televisions, air conditioners, washing machines and refrigerators in the PRC. Our packaging products exhibit chemical, thermal and shock resistivity and offer protection against damages in transit and storage. In addition, we undertake the design and manufacture of structural components in various shapes and sizes that are often used as components inside consumer electrical appliances manufactured by our customers in the PRC. We are therefore able to offer our customers an integrated solution for their packaging needs.

The Group has recognised the importance of sustainable development. In order to response to growing trends on the expectation of the stakeholders on the corporate responsibility performance, the Group is committed to responsible operation and value creation for stakeholders and community by integrating environmental and social factors into management considerations. Sustainability strategy is based on the compliance with the legal requirements applicable to us and opinions from stakeholders. Sustainability is crucial for the Group’s growth in order to achieve business excellence and enhance capabilities for long-term competitiveness. The Group has established and implemented various policies to manage and monitor the risks related to the environment, employment, operating practices and community. Details of the management approaches to sustainable development of different areas are illustrated in this Report.

STAKEHOLDERS ENGAGEMENT

Expectations and opinions from our stakeholders are important and valuable. The Group engages with its stakeholders, including employees, consumers and distributors, investors, supplies and the community, through utilising different channels as listed the table below. Through the stakeholder engagement, the Group understands the expectations and concerns from stakeholders and the feedbacks obtained through these channels allow the Group to further enhance the sustainable development.

Internal Stakeholders

- Board of directors
- Management
- Employees

External Stakeholders

- Shareholders and investors
- Customers
- Suppliers
- Governments/Regulatory authorities
- Associations
- Banks
- Employee's families
- Community

Engagement channels:

- Annual and interim reports, announcements and circulars
- Meetings
- Telephone, emails and feedback forms



ENVIRONMENTAL PROTECTION

The Group is committed to the long-term sustainability of the environment and communities in which it operates. The Group's operations are subject to a variety of PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities on environmental protection. These laws and regulations govern a broad range of environmental matters, such as mining control, land rehabilitation, air emissions, noise control, discharge of wastewater and pollutants, waste disposal and radioactive element disposal control. The PRC government has taken an increasingly stringent stance on the adoption and enforcement of rigorous environmental laws and regulations, which could have a material adverse effect on financial condition and results of operations and could incur additional costs.

The Group was in compliance with all relevant PRC laws and regulations regarding environmental protection in all material respects, including Environmental Protection Law of the PRC and the Administrative Regulations on Environmental Protection for Construction Project. The Group was not subject to any environmental claims, lawsuits, penalties or administrative sanctions during the reporting period. The Group is also committed to allocate operating and financial resources to ensure environment protection compliance as required by applicable PRC laws and regulations.

EMISSIONS

Air Pollutant Emission and Greenhouse Gas Emission

The Group's "Environmental Facilities Operation and Management System" is established to oversee the emission control of air pollutants, wastewater and solid wastes. It aims to promote the importance of environmental protection by controlling energy and resource consumption and pollution prevention. Specific personnel are appointed to monitor the environmental performance of the operations and check if the emission meets the relevant national standards.

Climate change is gradually concerned by the community. The Group manages the carbon footprint by minimising the energy consumption and water consumptions as these activities cause significant emission of greenhouse gas. Policies and procedures adopted on resources saving are mentioned in the section "Use of resources" of this Report.

Hazardous and Non-hazardous Wastes

Wastes are separately stored and handled with the ledger for record. Qualified recycling companies are engaged to perform waste disposal and treatment so as to minimise the impact on nature.

ENVIRONMENTAL PROTECTION

USE OF RESOURCES

The Group has adopted policies and guidelines to improve the efficiency of energy, water and other material consumption, including “Energy Resource Control Procedure”. In our daily operation, electricity, water and paper are the major resource consumption.

In view of the scarcity of resources, the Group advocates policies and procedures on efficient use of resources. For example, air conditioner operating temperature is set within a reasonable range. Heat exchangers of the cooling system are checked and repaired regularly to secure their efficiency. Lights and electrical appliance should be turned off before leaving the room. We consistently seek ways to improve energy efficiency and lower electricity usage in our facilities. The Group also motivates all its employees to participate in resources conservation activities and encourages them to save water, power and paper, including reducing the times of business travel and encouraging double-sided printing. Internal security staff also patrol the offices after the employees finish duty to ensure there is no wastage of power.

THE ENVIRONMENT AND NATURAL RESOURCES

The Group manufactures and supplies packaging products and structural components for packaging of consumer electrical appliances such as televisions, air conditioners, washing machines and refrigerators in the PRC, which may cause impact to the environment. Therefore, we have taken considerations in our manufacturing process and implemented measures. All our packaging products were primarily made of raw materials comprising mainly EPS and to a lesser extent EPO while our structural components were made of EPS. The raw materials are preprocessed, conditioned and moulded through our manufacturing facilities into our packaging products. We do not apply chlorofluorocarbons¹ as blowing agents in the manufacturing of our products and therefore making the manufacturing process more benign to the environment.

Given the stable nature of EPS products, the proper handling and storage of which will not cause them to produce harmful substances that contaminates the air and underground water. Packaging products made of EPS and EPO can be recycled and reused. Their scraps can be reprocessed in our manufacturing facilities for production of packaging products and structural components. Nonetheless, the rigidity and low value of the scraps made of EPS make it not too commercially attractive to collect and transport them over long distances for recycling in the PRC. We do not, in general, incinerate EPS and EPO scraps as such scraps are typically stored in our storage facilities and may be mixed with raw materials and used in the manufacturing of packaging products in our existing manufacturing facilities.

Given that products made of EPS and EPO tend to biodegrade slowly in an open environment, any disposal of such products, in an uncontrolled manner, may have a negative impact on the environment.

¹ Chlorofluorocarbons is an organic compound contributing to the ozone depletion in the upper atmosphere.

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group considers human resources as its most important assets, employees are encouraged to invest in career growth where the Group provides on-the-job training, and further education supports that enhance their professional knowledge and skills, thus improving the overall calibre of its workforce. In addition, the Group also evaluates employee performance on a regular basis and recognises and rewards outstanding employees. The Group has established and implemented “Staff Handbook”, which contains the policies relating to human resources, covering areas such as compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity and other benefits and welfare. Every rule in the handbook is set in accordance with all relevant laws and regulations including but not limited to The Labour Law and The Labour Contract Law in the PRC.

The Group believes that the recruitment, training and retention of high caliber personnel are important to the success of our business and to achieve our business objectives. We will seek to recruit both domestically and internationally management personnel and engineers with appropriate qualifications and talents and offer them competitive compensation packages including bonus programs, share option schemes and education and training allowances.

It is our objective to provide equality of opportunity for all staff in relation to all human resources matters. We shall recognise and reward meritorious performance and provide equal opportunity for employment irrespective of sex, age, marital status, race, religion, disability or employment status. The principle of equal opportunities is applied in all employment policies, in particular to recruitment, training, career development and promotion of employees.

Promotions are made in accordance with the needs of the Group’s business development and the employees’ competence. Vacancies of the Group’s internal management positions will be filled up internally by promoting the most qualified employees within the Group according to its policies and practices in practicable situations. In accordance with the requirements of the positions, the Group will select candidates for the vacancies internally from the employees within the Group via public means. Where feasible, the vacancies and job duties will be filled up by the internal employees within the Group, thus offering the employees with the opportunities for promotion and enhancing the efficiency of the Group.

SOCIETY

Further, we plan to arrange gatherings and social events for all our employees, on a regular basis, to encourage communications between members of our senior management team and general staff and to foster employee loyalty to our Group. For examples, we provide welfare for employees during festivals (e.g. Dragon boat festival, Mid-Autumn Festival), regular gatherings and outdoor activities. We believe that a team of highly trained personnel will enhance our overall manufacturing efficiency, improve our product design and development and help achieve our business objectives effectively.

Basically, the Group strictly complied with the above said relevant standards, rules and regulations during the reporting period.

Health and Safety

The Group provides a healthy and safe workplace for all employees in accordance with the relevant laws and regulations, including The Production Safety Law of the PRC. As stipulated in "Safety Management Procedure", the Group promotes safety practices in several approaches: safety education, fire safety management, equipment safety management. We established safety guidelines and procedures against accident. We also organised activities to keep awareness of production health and safety. For instance, safety training is provided to educate the employee the importance of occupational safety and safety knowledge test is provided to ensure they have equipped related knowledge. Besides, our employees are equipped with sufficient labour protection supplies such as gloves, masks and work uniforms, etc., so as to ensure their safety and health.

The Group has not been aware of any material non-compliance with relevant law and regulations during the reporting period.

Development and Training

The Group believes that providing training to our staff is an important factor in attracting and retaining employees. The Group actively expands the horizon for the personal development of its employees and provides various types of training for its employees, including a wide range of staff development training and senior management and personnel training according to the Group's human resource policy. Through education and training, the Group can enable its employees to enhance their personal accomplishments, strengthen their working skills and reinforce the team performance.

Moreover, employees can grow with the Group by bolstering their own values on the basis of their personal interest and expertise. At the beginning of each calendar year, the Group draws up educational training plans in accordance with the Group's training needs. Each department is responsible for determining its training needs for staff in its department and designing a unique training plan, which shall be submitted to the senior management of the Group for approval. The Group ensures that members of staff who are under the comprehensive management system can fulfill the relevant requirements in terms of education, training, technical and work experience.



Training activities provided to staff include:

- (1) Internal trainings
- (2) External trainings
- (3) Specific training for personnel that performs duties requires licenses
(e.g. Fork truck driver, boiler operator, accountants)

Here are some of the training courses organised in the reporting period:

Training Theme	Target Audience	Course Description
Orientation	New employee	Company background, fire safety knowledge, case studies, production line management and procedures
Safety Education	All employee	Company situation, safety management features and requirements, laws and regulation relating to safety management and fire safety
Debugging Training	Debugging workers	The theory and mechanism of sheet modeling, frequently asked questions on modelling machines and procedures
Foam Material Quality and Production Techniques	Team leader and workers	Methods of quality control

SOCIETY

Labour Standards

In the Group's "Staff Handbook", the Group has set the minimum age requirement for recruitment, which complies with the relevant section in "Labor Law of the PRC". If any case of child labour is reported, following procedures are some key procedures as stipulated in "Prohibition of Recruitment of Child Labour Policy and Remedy Procedures":

1. Stop the child labour from working.
2. Report to the local labour authority and provide medical check for him/her. If any disease is discovered, medical treatment should be arranged and the expense is covered by the Group.
3. Contact the parents or guardian of the employee immediately and bring him/her back to home. Travel, accommodation and meal expense during the trip are covered by the company.
4. If the child labour is the major financial support of the family, the company should provide financial assistance to the family till he/she is 16 years-old. The purpose of the financial assistance is to ensure the child labour will not have financial difficulties even he/she is not able to work.
5. An investigation will be carried out to settle the case and prevent the repetition.

During the reporting period, the Group has not violated any relevant national labor laws and regulations including child and forced labor laws and regulations.



OPERATING PRACTICES

SUPPLY CHAIN MANAGEMENT

The Group purchases raw materials and components necessary for the manufacturing of our packaging products and structural components from independent third parties. The raw materials mainly include EPS and EPO. According to the Group's "Procurement Control Procedure", we retain a list of approved suppliers of raw materials and components and only make our purchases from the list. We promote fair and open competition in the procurement of supplies and services. We ensure that the procurement of goods and services is based on the best value for money purchases in terms of price, quality, delivery time and service. As a responsible organisation, we shall abide by the spirit, intent and content of our contractual agreement with all suppliers and contractors.

During the procurement process, raw materials and components delivered by potential suppliers are analysed and tested with machinery and testing apparatus to determine their quality and standards. We initially make purchases of a limited amount of raw materials and components from newly approved suppliers and over time make purchases of a larger amount if they have proved themselves to be stable suppliers of raw materials and components of good quality. We believe reliable suppliers of raw materials and components are essential for our business and operations to remain competitive in the packaging industry in the PRC.

It is our responsibility to ensure that procurement of supplies and services are conducted in a highly professional manner and in line with the required ethical standards to assure the public that resource is used properly as well as to build continued confidence of suppliers and contractors in their business dealings with the Group. We shall ensure that our suppliers and contractors understand and adhere to our Code of Conduct and procurement policies.

We have established long-term commercial relationships with our major suppliers for stable supply and timely delivery of high quality raw materials and components. We will continue to diversify our suppliers of raw materials and components to avoid overly reliance on a single supplier for any type of raw materials and components.



OPERATING PRACTICES

PRODUCT RESPONSIBILITY

Achieving and maintaining a high-quality standard of products is utmost important for the sustainable growth of the Group. A set of policies and procedure are in place to ensure we deliver safe and high-quality goods to our customers. The Group is in strict compliance with PRC Patent Law, the Product Quality Law of the PRC. During the reporting period, the Group did not discover any significant risk exposure in relation to the product responsibility.

We will continue to strengthen our product design and development capability by further investment in improving our manufacturing process and technique through utilising machinery and testing apparatus to ensure product quality and cost effective manufacturing processes. We believe strong product design and development capability is essential for us to remain competitive in the packaging industry in the PRC. By working closely with our customers on product design and development at the early stage, we may offer better packaging products to our customers and foster stronger commercial ties with them.

Intellectual Property

For the purpose of minimising our exposure to infringement or misappropriation claims in respect of intellectual property rights, we rely on, among other things, the proper registration of intellectual property rights with authorities in jurisdictions in which we carry out our business operations (in the case of our intellectual property rights); and the entering into legally binding patent licensing agreements with patents owners in respect of applications.

OPERATING PRACTICES

Quality Control

We are of the view that the quality of our packaging products and structural components is important to the success of our business. We put emphasis on the maintenance of our product quality such that our products continue to meet the demands of our customers. Our quality control personnel carry out tests of raw materials used in the manufacturing of our products and at various stages of the manufacturing processes, select semi-finished products for reviews and carry out final inspections before product delivery to our customers. Our quality management systems installed for the manufacturing of our packaging products and structural components at the three factories have been awarded certificates in respect of the compliance with the international standards of ISO9001:2008 and GB/T19001:2008. We have implemented a set of stringent quality control and testing procedures. "Testing Control Procedure" is designed to ensure that our products meet the quality requirements of our customers. We have invested and acquired machinery and testing apparatuses for the purposes of ensuring that testing and checking of our product quality is conducted in accordance with rigorous technical criteria.

Our quality control department is responsible for quality control of our products. We have strengthened our quality control capacity by recruiting more quality control personnel.

Furthermore, our quality control personnel have received in-house vocational training in connection with their quality control work. Our quality control team monitors and controls the quality of our operations. We closely monitor the manufacturing processes from the sourcing of raw materials to the production of our products to ensure product quality and safety prior to delivering to our customers.

Before delivery of our products to the customers, the quality control personnel will ensure that our products are in compliance with the customers' specifications and are without any patent defects. Our quality control team also actively takes part in product design and development thus ensuring that quality considerations are addressed at an early stage and thereby minimising subsequent revisions to product design and the number of faulty products.

OPERATING PRACTICES

Our quality control team carries out quality control inspection throughout the manufacturing process, including:

- Quality control for raw materials. We select suppliers of our raw materials based on, among other things, quality and reliability assessments of their raw materials and we maintain a list of qualified suppliers and only purchase raw materials from suppliers in this list. We carry out reviews of the raw materials on a sampling basis. Before the raw materials are utilised in the manufacturing process, a sample of each type of raw materials will be examined to ensure that their quality meets our specifications. Raw materials that failed our inspection test are returned to suppliers. We also review, on a regular basis, the suppliers in our list and will remove from our list any supplier who fails our evaluations.
- Quality control during manufacturing. Our quality control team carries out testing at various stages of the manufacturing processes and select semi-finished products for review testing in accordance with our internal procedures and technical criteria. Our quality control team ensures that any quality related issues revealed under such testing are promptly addressed and resolved.
- Final testing before delivery. Our quality control team carries out final inspections to ensure that our products comply with specifications of our customers before arranging delivery of our products to them.

OPERATING PRACTICES

Complaint Handling

During the reporting period, thirteen complaints related to the products and services were received by two of the subsidiaries, Sichuan Jinghong Packaging Co. Ltd and Chongqing Guangjing Packaging Materials Co. Ltd. The flawed products were isolated from the other products immediately. Technicians reworked products and report to the customers about the status of the order. After adjustment and reworking, qualified products were sent to the clients.

Customer Information Protection

As stipulated in the Group's "Staff Handbook" and "Corporate Governance Policy", all employees are required to protect of the information related the Group and customers and keep them confidential. When it is necessary to disclose the company information to other person, he/she must sign a "Confidentiality Agreement" with the Group. All employees must not disclosure any company information or express any comments related to the Group to the public without permission.

ANTI-CORRUPTION

In the Group's "Corporate Governance Policy", one of the most important rules that the Group requires all members of staff to observe is that they must maintain honesty, refuse corruption, refuse to accept kickbacks, and they must not misappropriate the Group's funds and properties, must not abuse power for own interests, and that all gifts received must be handed to the Group.

The Group shall strive to protect and uphold Group's and our own reputation, professionalism and integrity. To this end, we shall avoid obligations to customers or business associates resulting from advantages, gifts or entertainment received in or due to our official capacity which could compromise our position in any way or be perceived by a third party to potentially compromise ourselves or the Group. When we participate in any social or academic activities, either in a personal or official capacity, we shall avoid any unbecoming acts which will bring us or the Group into disrepute.

Employees could whistle-blow to the supervisor for the suspected bribery, extortion, fraud and money laundering issues. Once discovered, it will be reported to police for prosecution. There was no any legal case regarding corrupt practices brought against the Group or its employees during the reporting period.

COMMUNITY INVESTMENT

The Group is committed to contribute to the society and foster a positive relationship with the communities in which the Group operates. The Group's "Corporate Governance Policy" provides guidance for employees to understand the needs of the community, such as villagers, employees and non-governmental organisations. Contribution to the community and maintaining a harmonious relationship with the stakeholders in the region of operation are crucial for the sustainable development. For instance, we employ disabled people when there are suitable positions. In order to consider the interest of the community, the Group adopts an open attitude to ensure that our stakeholders can have confidence in our decision-making processes and actions, in the management of our services, as well as in us as staff. We shall be as open as possible about all the decisions and actions that we take in order to nourish a culture whereby staff will feel free to express their views and concerns in good faith.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

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A1.3	Total hazardous waste produced and, where appropriate, intensity	—	—
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A1.5	Description of measures to mitigate emissions and results achieved	—	—
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A2	Use of Resources		
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A2.3	Description of energy use efficiency initiatives and results achieved	—	—
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A3	The Environment and Natural Resources		
A3	General Disclosure	"The Environment and Natural Resources"	6
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B1.2	Employee turnover rate by gender, age group and geographical region	—	—
B2	Health and Safety		
B2	General Disclosure	"Health and Safety"	8
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B2.2	Lost days due to work injury	—	—
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B3	Development and Training		
B3	General Disclosure	"Development and Training"	8–9
B3.1	The percentage of employees trained by gender and employee category	—	—
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B4	Labour Standards		
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B5	Supply Chain Management		
B5	General Disclosure	"Supply Chain Management"	11
B5.1	Number of suppliers by geographical region	—	—
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	—	—

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Indicator	Descriptions	Section	Page
B6	Product Responsibility		
B6	General Disclosure	"Product Responsibility"	12–15
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B6.3	Description of practices relating to observing and protecting intellectual property rights	—	—
B6.4	Description of quality assurance process and recall procedures	"Product Responsibility — Quality Control"	13–14
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B7	Anti-corruption		
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B8	Community Investment		
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B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	—	—
B8.2	Resources contributed (e.g. money or time) to the focus area	—	—



Jin Bao Bao Holdings Limited

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