



ZHENGYE
INTERNATIONAL

正業國際控股有限公司

ZHENGYE INTERNATIONAL HOLDINGS COMPANY LIMITED
Incorporated in Bermuda with limited liability



2016 ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT

Stock Code : 3363

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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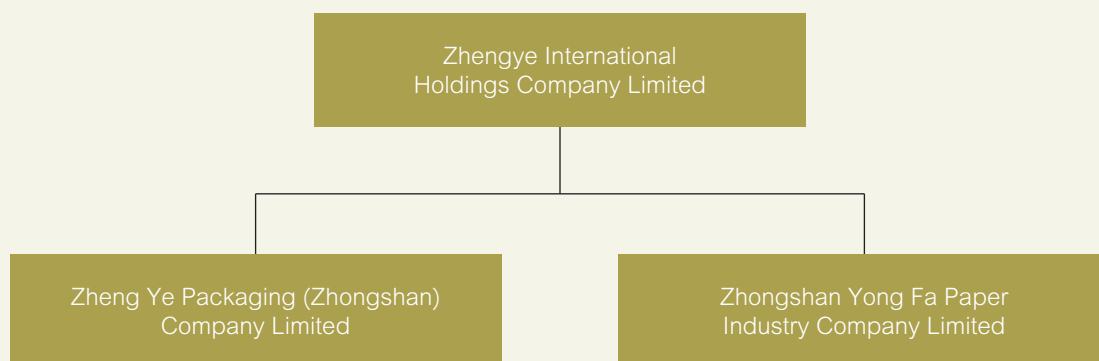
About the Group

Established in 1999, Zhengye International Holdings Company Limited (“**Zhengye International**” or the “**Group**”) is a large-scale conglomerate engaged in the production of packaging materials, providing customers with one-stop solutions covering services like recycling of waste paper, production of paper products and packaging of products.

Zhengye International is engaged in the production of paper-based packaging products and corrugated medium paper, with 14 and 7 production lines respectively located in six cities including Zhongshan, Zhuhai, Wuhan, Shijiazhuang, Zhengzhou and Hefei. The paper-based packaging products offered by the Group include corrugated cartons and honeycomb paper-based products. The major customers are mainly domestic manufacturers of small home appliances and air conditioners; and corrugated paper is mainly supplied to upstream manufacturers of corrugated medium paper-based packaging products.

Zhengye International’s main production base of corrugated medium paper is located in Zhongshan. The Group currently uses recycled waste paper as the raw materials for corrugated medium paper production. The production lines have a total annual design capacity of 800,000 tonnes, making the Group one of the leading corrugated medium paper producers in the Guangdong region.

Core Structure of the Group



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About this Report

This report is the first environmental, social and governance (ESG) report published by Zhengye International which discloses the Group's actions and performance on sustainability issues in a transparent and open manner to increase confidence in and understanding of the Group among its stakeholders.

Reporting Period

All information herein relates to performance of Zhengye International in environmental protection and community investment during the period from January 2006 to December 2006. In the next years, the Group will publish ESG reports on annual basis for inspection by the public and continuous improvements of transparency and accountability in information disclosure.

Scope of the Report

With a focus on corrugated medium paper production business of Zhengye International, this report covers its key places of operations namely two production plants (the **"Plants"**) in Zhongshan respectively operated by Zhongshan Yong Fa Paper Industry Company Limited (**"Zhongshan Yong Fa"**) and Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited (**"Zhongshan Rengo Hung Hing"**). The scope of disclosure will be extended to fully cover all operations of the Group as and when the Group has improved its data collection system and deepened its ESG work. This report does not cover the disclosure of key performance indicators in environment. The Group plans to conduct a carbon assessment next year to further refine and standardise the indicators to be reported.

Reporting Guidelines

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and summarised the ESG performance of Zhengye International. Information herein is derived from the Group's official documents and statistics, as well as the compilation of monitoring, management and operational information provided by subsidiaries pursuant to relevant rules of the Group. A complete index is available in the last chapter hereof for readers to make quick queries. This report is made both in Chinese and English, and has been uploaded to the Group's website (www.zhengye-cn.com). In case of any conflict or inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Feedback

Your valuable comments on our performance and reporting format are essential for our continuous progress.
You are welcome to e-mail any question or suggestion on this report to info@zhengye-cn.com,
which will enable us to continuously improve our ESG practices.

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Communication with Stakeholders

The Stock Exchange has put forward four reporting principles in the Guide, namely materiality, quantitative, balance and consistency, as the preparation basis of this ESG report. As the Stock Exchange advised, participation of stakeholders is the method used to assess the materiality. Through communication with stakeholders, companies can hear the voice of stakeholders and identify important environmental and social issues.

As for Zhengye International, stakeholders are groups and individuals that are significantly important to or might be affected by the Group's business. The Group's stakeholders include not only employees, but also customers, business partners, investors, regulators and various community groups. In the past year, the Group communicated with key stakeholders through different channels. In preparing this report, the Group engaged a professional consultant to conduct a materiality analysis through management interviews, and clarified important reporting issues by reference to expert opinions to direct the Group's sustainable development roadmap.

Communication Channels with Stakeholders during the Reporting Period

Internal stakeholders

- Board of Directors
- Management and executives

External stakeholders

- Banks
- Investors

Communication channels:

Board meetings, weekly meetings, shareholders' meetings,
telephone inquiries and personal visits

Zhengye International's business has an impact on different stakeholders who have different expectations for the Group. In the future, the Group will continue and enhance communication with its stakeholders and collect opinions of a wider range of stakeholders through various means to improve the materiality analysis. The Group will also upgrade the principles of quantitative, balance and consistency in an effort to define content of the report and presentation of information in a way better meeting expectation of stakeholders.

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Message from the Management

"We are committed to keeping abreast of China's environmental process and leveraging overseas environmental initiatives and success to build ourselves into a sustainable industry leader."

Advancing China's environmental and green packaging cause has been regarded as the corporate mission of Zhengye International since its incorporation. We attach importance to sustainable development, which is taken as the development approach for continuous improvement in the Group's business model.

At the Plants of Zhengye International, internal systems based on a set of indicators have been successively established to manage the environmental impact directly brought by its business. We continuously monitor exhaust gas, sewage and solid waste emissions and consumption of various resources, and compare statistics to review the efficiency. During the year, the Plants also carried out a number of equipment upgrade programmes in a bid to enhance emission reduction performance of equipment.

Zhengye International is committed to making greater contribution to protection of natural resources through its core business. In addition to cogeneration, sewage recycling and other resource-efficient measures, the Plants adopted waste paper instead of wood as raw materials in production of recycled paper products. The Group's products not only indirectly promoted recycling of resources, but also offered green paper products to its customers and consumers.

Safety and health of employees are also a priority in our sustainability agenda. At the Plants, the well-established safety objectives helped to define safety responsibilities of different departments and systematically implement the safety management measures. We also provided employees with appropriate safety guidelines, training and protective supplies, starting from the risk source to minimise accidents.

Over the years, Chinese government has moved aggressively to eliminate excess capacity and stepped up environmental requirements across the papermaking industry. As a large paper manufacturing group in China, Zhengye International will continue to live up to its corporate mission towards a green business chain. Looking ahead, we are committed to keeping abreast of China's environmental process and leveraging overseas environmental technologies and success to build ourselves into a sustainable industry leader.

Hu Hanchao

Chairman

Zhengye International Holdings Company Limited

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Environmental Protection

Climate changes have brought unprecedented challenges to global economic development. The extreme weather resulting from climate changes directly or indirectly has affected the ability of various corporations to access resources and sustain operations. During the Paris Climate Change Negotiations 2015, 195 countries including China agreed to implement the greenhouse gas abatement plan which is designed to contain the global temperature rise within two degrees Celsius.

At the Sustainable Development Summit 2015, members of the United Nations unanimously adopted 17 sustainable development goals, including "Take urgent action to combat climate change and its impacts".

We understand that the establishment of organisation and management approach for internal environmental management is the primary task to address the challenges against sustainable development. By reference to ISO14001 environmental management system, Zhongshan Yong Fa and Zhongshan Rengo Hung Hing developed their first HSE (Health, Safety and Environment) Management Manual ("**HSE Manual**") and Quality Environment Manual respectively in 2015 and 2009, to define the commitments, policies, objectives, division of responsibilities, control procedures and monitoring and auditing systems in environmental management. Under the management system comprising the manuals, the two Plants detailed respective operational and management procedures, covering such areas as environmental hazards and risk identification, target management, energy use, environmental monitoring, etc. During the year, both Zhongshan Yong Fa and Zhongshan Rengo Hung Hing held ISO14001:2004 certificates in force issued by a third-party certification authority.

Emissions

The Plants' production process involves multiple steps like pulping, sand removal, screening, slushing, grinding, moulding, pressing, drying and packaging, where sewage, exhaust gas and solid waste are three major types of emissions. The Plants adopted management measures specific to source and type of the emissions.

Sewage from the Plants mainly derived from pulping, screening, concentration and pressing steps (commonly known as "**white water**"). With sewage station in place at the Plants, white water must be processed by neutralisation, precipitation, anaerobic and aerobic treatment procedures before discharged to the designated emission points. The Plants also regularly tested the sewage after treatment to ensure compliance with the Water Pollutant Emission Standards on Pulping and Papermaking Industry, Guangdong Provincial Water Pollutant Emission Limits and other applicable national standards. During the year, Zhongshan Yong Fa began to prepare for the Fenton oxidation waste water treatment system and anaerobic treatment system upgrade projects by introducing new equipment such as Fenton reaction tank, anaerobic reaction tank and sludge thickening tank. Upon completion in 2017, the two projects will help to enhance the waste water treatment efficiency.

In addition to the purchased electricity, the Plants have thermal power sub-plants to generate power and steam for own use, where the coal-fired boilers produce soot, sulphur dioxide, nitrogen oxides and other air emissions. Under internal standards on acceptance inspection of raw coal, both Plants adopted visual inspection, photographing, sampling inspection, third-party testing and other means to ensure that moisture, ash content, volatile substance and sulphur content of raw coal are in accordance with their requirements. Boiler flue gas from the Plants must be processed by denitration, electrostatic precipitator, bag-hose precipitation and desulphurisation procedures before emitted to atmosphere. Both Plants have automatic monitoring devices installed at their boiler discharge outlets to monitor types and emission volume of pollutants, thus ensuring that the exhaust gas emissions meet the Air Pollutant Emission Standards on Thermal Power Plants and other applicable national standards. In December during the year, Zhongshan Yong Fa started an exhaust gas desulphurisation and denitration project by introducing new equipment such as SNCR denitration system, desulphurisation absorption tower and instrument control system, which is expected to complete and commence operation in 2017 for further processing of the exhaust gas.

The Plants mainly generate general wastes, including coal fly ash, gypsum, waste residue, sludge, etc. from papermaking, which are classified as industrial waste other than hazardous waste. Such wastes are categorised into reusable and non-reusable for processing respectively. For example, Zhongshan Yong Fa sold coal fly ash to cement manufacturers, and delivered waste residue, sludge and gypsum to local sanitation authorities and qualified contractors for processing respectively. Both Plants have management accounts in place for continuous record of waste generation, delivery date and destination.

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Zhengye International is committed to ensuring its Plants to operate in compliance with applicable environment laws including the Law of the PRC on Prevention and Control of Water Pollution, the Law of the PRC on Air Pollution Control, and the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste. During the reporting period, none of the Plants was found of any non-compliance case involving emissions or environmental impact.

Summary of Emission Performance Indicators of the Two Plants

	Soot	tonne	16
Boiler flue gas	Sulphur dioxide	tonne	107
	Nitrogen oxides	tonne	132
	Total emission	tonne	1,203,351
Sewage	Coal fly ash	tonne	24,238
	Gypsum	tonne	4,839
	Papermaking waste residue	tonne	8,384
Harmless wastes	Papermaking sludge	tonne	10,482
	Slag	tonne	118,848 ¹

1 Estimated figures. Official statistics are not available.

Use of Resources

To save water and reduce emissions, white water is reused as far as possible in production process of the Plants. At Zhongshan Yong Fa, for example, there is a process consisting of a white water tank to recycle white water from pulpers, desanders, thickeners and fourdrinier units for reuse in disintegration, pulping, and paper machine spraying processes. At Zhongshan Yong Fa, the paper machine technical upgrade project started during the year was completed and put into operation in May 2017, which boosted productivity due to higher pulp utilisation efficiency and further reduced water consumption.

Energy sources used in papermaking process mainly include electricity and steam used in disintegration, pulping and paper manufacturing steps. Cogeneration units are adopted by the Plants to supply coal-fired power as well as residual heat for generating steam for production purposes. Compared to the traditional coal-fired power generation model, cogeneration technology can reduce the energy loss in the form of heat, and hence equivalent amount of coal can contribute higher energy efficiency. During the year, Zhongshan Rengo Hung Hing increased speed of its paper machines through technological upgrade, saving approximately 42,000 tonnes of coal compared to last year. However, Zhengye International understands that coal as a kind of fossil fuel inevitably generates emissions in consumption. In the future, the Group will explore the feasibility of using cleaner energy, such as the application cases of natural gas boiler overseas.

During the reporting period, Zhengye International adopted the performance indicator method to manage its corrugated medium paper production lines, and succeeded in improving their production efficiency as a whole. At Zhongshan Yong Fa, for example, the Performance Programme of Yong Fa Paper was developed to incorporate resource utilisation requirements into departmental performance indicators. For instance, if the Thermal Power Department and the Raw Materials Department can reduce monthly steam and waste paper consumption by a certain quantity, corresponding bonuses will be granted according to the policies to further incentivise the departments to save resources. Such management model will be promoted across the Group to optimise production line efficiency for corrugated cartons and honeycomb paper-based products, with an aim at continuous improvements in the Group's core competitiveness.

Summary of Resource Utilisation Performance Indicators of the Two Plants

	Total water consumption	tonne	1,593,837
Use of water resources	Accumulative sewage recycled volume	tonne	11,546,848
	Water consumption density	tonne of water/tonne of paper	12.21
Use of energy resources	Coal	tonne	416,657
Use of raw materials	Waste paper	tonne	350,396
	Starch	tonne	26,275

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The Environment and Natural Resources

Zhengye International seeks to monitor and enhance environmental performance of its Plants in operation. Departments at the Plants collaborated to measure and record various emissions and consumption of resources. In the future, the Group will benchmark against such statistics to set quantitative targets on emission reduction and resource saving in a drive to boost efficiency of its day-to-day operations. The Group has planned to incorporate a comprehensive carbon footprint assessment, although absent for its existing operations, into its work plan for 2017, pursuant to which greenhouse gas emissions will be confirmed annually to help developing the carbon reduction target and priorities to make the carbon reduction process more efficient. The Group will further commit resources in research and development, seeking to introduce more advanced environmentally friendly production technologies and equipment.

Zhengye International commits itself to avoiding fire, explosion, chemical leakage, significant water and electricity supply disruption and other potential accidents. To this end, the Plants developed respective emergency response plans to define the accident reporting and control procedures, avoid diffusion of pollution sources, and manage the impact of accidents on environment and the surrounding communities. Zhongshan Yong Fa also maintained green plants outside of its coal bunker and alongside roads to green the plant area.

Care for Employees Health and Safety

As a producer, Zhengye International attaches extra importance to sustaining a healthy and safe workplace. Under the Production Safety Accountability System and the Production Safety Management System formulated respectively by Zhongshan Yong Fa and Zhongshan Rengo Hung Hing, a management framework comprising management executives of the Plant as well as heads of engineering, equipment, production, safety office and other departments is in place to define duties of personnel and implement the managerial initiatives. At Zhongshan Yong Fa, efforts were taken to further standardise the planning, implementation, inspection and improvement procedures in its safety management programme through the HSE Manual with reference to OHSAS 18001-2007 standards.

Zhengye International provided employees with safety training to enhance their safety awareness. The Plants provided new staff with training courses and assessments at three levels namely company, department and work group, covering safety regulations, equipment operation, case study, etc. Employees engaged in special work such as electrical, lifting, boiler and welding must receive additional professional training, pass the examination and obtain an operational certificate before performing their respective duties. The Plants regularly organised safety education in various forms. At Zhongshan Rengo Hung Hing, for example, morning and evening meetings were held from time to time to explain to the staff the safety and health issues identified in inspection to enhance their safety awareness.

Post-specific safety guidelines, protective gears and health support were provided to employees. Zhongshan Yong Fa also developed safety management guidelines for thermal process, electrical work, aerial work and confined space work to illustrate the post-specific safety matters to be noted. Safety helmets, work shoes, gloves, protective glasses, earplugs and other protective gears suitable for the post were provided to employees. Zhongshan Rengo Hung Hing introduced a mechanism linking usage of protective gears to safety bonus to incentivise employees in self-discipline and proper use. Each year physical examination is provided to employees, and job transfer and re-examination are arranged to the employees with suspected symptoms of occupational disease to follow up their health status.

During the reporting period, none of the Plants was found of any non-compliance case against the Production Safety Law of the PRC, the Occupational Disease Prevention and Control Law of the PRC and other safety regulations or any work-related death, except for 23 work-related injury cases. Based on the amount of employee medical expenses or the number of rest days caused by work-related injuries, the Plants classified work-related injury accidents into four categories i.e. minor, general, serious and extra serious. The seven cases of Zhongshan Rengo Hung Hing were classified as minor or general work-related injury accidents. Zhongshan Yong Fa involved 15 minor or general plus one serious work-related injury accidents.

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All such work-related injuries were investigated and analysed to identify and record occurrence time, place, sequence of events, casualties, etc., and circulated to all departments of the Plants. Based on the findings, the Plants imposed punishment on the persons liable and implemented the remedial measures pursuant to the established regulations. The serious work-related injury case of Zhongshan Yong Fa during the year involved an elderly employee who fainted and landed on head due to a heat stroke after using an irregular toilet. The employee was hospitalised and, after treatment, has rehabilitated and left hospital. Afterwards, the Plant held an accident analysis meeting to confirm the arrangements for elderly employees as appropriate away from high-altitude, high-temperature, deep-pit operations or labour-intensive posts, as well as closing all irregular toilets and checking all stairway fences. For other minor and general accidents, the Plant also took corrective actions including more frequent equipment inspections, updating safety operating procedures, strengthening staff training, replacing or installing protective equipment, etc.

Targets of Zhongshan Yong Fa and Zhongshan Rengo Hung Hing in 2017:

- 20% less accident occurrences
- Zero work-related death accident
- Not more than one serious accident
- Not more than five general accidents
- Not more than eight minor accidents

In view of the relatively high incidence of occupational injury at the Plants, Zhengye International will strengthen its supervision on implementation of the safety management systems of the Plants. The Plants will also clearly define the work-related accident indicators in their safety targets for the coming year.

Overview of the Health and Safety Performance Indicators of the Two Plants

	Number of work-related accidents	Rate of work-related accidents per 1,000 employees	Lost days due to work injury	Number of working days	Rate of lost days due to work injury	Number of hours of absenteeism	Total number of working hours	Overall rate of absenteeism
Male	19	16.32	896	290,493	0.31%	56,596	2,162,438	2.75%
Female	4		239	77,256		18,864	581,706	

Employment Systems

Zhengye International respects each of its employees. In terms of remunerations and benefits, working hours, rest time, performance appraisal, career development, recruitment and selection, etc., Zhongshan Yong Fa and Zhongshan Rengo Hung Hing have open and transparent employment systems in place, and the relevant requirements are set out in the Human Resources Cycle Management Policy, Labour and Personnel Management Regulations and Code for Employees. The plants attach importance to the principle of open and fair staff recruitment and select the best candidates based on job requirements. While the plants have yet to formulate staff policies on diversification, equal opportunities and anti-discrimination at present, research will be conducted in future to incorporate the relevant requirements into the existing systems.

The plants have set up mediation committees for employees to lodge oral or written complaints on employment systems. The committees will assist the parties in dispute to arrive at a settlement, failing which the parties concerned may choose to make an application to the local labour supervision authorities for arbitration. The Group strictly comply with relevant employment laws, including the Labour Contract Law of the People's Republic of China and the Labour Law of the People's Republic of China. During the reporting period, the two plants were not aware of any cases of irregularity related to breach of employment and labour standards, and did not receive any cases of complaint in relation to discrimination and sexual harassment.

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Overview of the Employment Performance Indicators of the Two Plants

Number of employees				Total number of employees	Ratio of male to female employees
	Aged below 30	Aged 30-50	Aged over 50		
Male	106	673	334	1,113	3.8:1
Female	18	265	13	296	
Number of new recruits				Total number of new recruits	Ratio of new recruits
	Aged below 30	Aged 30-50	Aged over 50		
Male	54	37	3	94	7.2%
Female	3	5	0	8	
Number of staff turnover				Total number of staff turnover	Ratio of staff turnover
	Aged below 30	Aged 30-50	Aged over 50		
Male	63	106	27	196	17.7%
Female	9	58	0	67	

Development and Training

Zhengye International treats its employees as strategic partners. Taking into account departmental development and job function requirements, the human resources department of the plants conduct annual analysis on the training needs of employees, formulate annual training plans; and the relevant departments make arrangements for conducting various training activities, covering aspects like national laws and regulations, industry standards, project management, product technology and internal Audit. The plants also arrange for employees to participate in external training on a need basis. For instance, Zhongshan Rengo Hung Hing has an entrusted training system in place for selecting employees to participate in learning activities in other institutions. The plants conduct annual performance appraisal. At Zhongshan Yong Fa plant, for example, staff appraisal exercises are classified based on administrative duties and technical levels, and department heads assess the character and conduct, work performance and future career development potential of the employees. The results will be considered for career advancement and salary adjustment, and serve as the basis for human resources development and planning.

Overview of the Development and Training Performance Indicators of the Two Plants

		Management	Managerial staff	General staff	Total number of employees	Total
Number of employees trained	Male	53	73	866	1,409	81% of the employees received training
	Female	6	18	127		
Number and percentage of employees receiving performance and career development review on a regular basis	Male	42	72	522	1,409	55% of the employees received performance and career review
	Female	8	14	119		

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Labour Standards

Zhengye International fully understands that child labour and forced labour violate fundamental human rights and international labour conventions. The Group prohibits using child labour, and the plants will validate the actual age of the job applicants in the recruitment process and check the identity documents of those selected for employment. Entering into, alteration, performance and discharge of labour contracts are on a voluntary basis, and adhere to the principles of equality and reaching a consensus only after consultation between the employer and the employees. The plants will never use any unlawful or unfair means to set constraints on the employment relationship between the employees and the enterprise. If employees are required to work overtime or work on rest days due to special circumstances, the plants must obtain prior consent from the employees and pay overtime wages or arrange for compensation leave to protect labour rights. During the reporting period, the two plants were not aware of any cases of child labour or forced labour.

The International Labour Organization is a special agency of the United Nations for promulgating labour standards in the form of international labour conventions and recommendations, thus improving the working and living standards of different places in the world. China is a founding member of the International Labour Organization and its permanent member.

Operational Management Supply Chain Management

Zhongshan Yong Fa and Zhongshan Rengo Hung Hing have respectively formulated the Administrative Measures for Supplier Assessment and Administrative Procedures for External Supplier, and suppliers are jointly managed by departments including the purchasing department, quality control department and production department. If the existing suppliers do not meet the procurement requirements, the plants will identify at least two to three potential suppliers, review information including product descriptions and operation compliance, and conduct a preliminary evaluation through plant inspections. The plants will request those that have passed the preliminary evaluation to provide samples for testing and trial use, and only those that have passed the trial use can become qualified suppliers of the plants. The plants will review collaborative suppliers annually and poor performers will be disqualified.

The corrugated medium paper products of the plants use waste paper as the main raw materials. During the reporting period, the waste paper raw materials of the plants came domestically from China. If it is necessary to purchase imported waste paper raw materials, the plants also have additional management requirements to ensure compliance with the Administrative Provisions on Environmental Protection Concerning Solid Wastes with Import Restrictions that Can be Used as Raw Materials. Zhongshan Rengo Hung Hing also encourages the purchasing department to take the initiative to collect information on suppliers regarding quality and environmental protection, so as to select raw materials that are of better quality and more environment-friendly.

The corrugated medium paper products of the plants use waste paper as the main raw materials, with the majority coming from Zhongshan City, Guangdong Province, where the plants are located to help shorten transport distance and promote local resource recycling. The respective percentages of waste paper raw materials coming from the following locations are:

- Zhongshan: 73.5%
- Jiangmen: 8%
- Zhuhai: 6.4%
- Foshan: 4.5%
- Other provinces and cities: 7.6%

Product Responsibility

Zhengye International attaches importance to the quality and safety of products. The plants have Substandard Product Control Procedures relevant administrative procedures for rectification measures in place, which clearly describe the handling criteria when the inspection results of raw materials and finished products do not conform to national or the Group's quality standards. For example, if it is found that the hazardous materials mixed with the waste paper raw material exceed national standards, the plants will give a warning to the supplier and make a request to reject the item. The plant will also commission a third-party inspection agency annually to carry out compliance inspection under the European Union's Restriction of Hazardous Substances Directive (RoHS) and Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Regulation to determine whether the heavy metal and chemicals contents comply with the standards.

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Zhengye International is also very stringent in terms of after-sales management. The plants will implement the Administrative Procedures for Customer-related Processes and distribute the Customer Satisfaction Survey Questionnaire to major customers of the Group, conduct analysis after understanding their recommendations and aspirations, and carry out investigation and improvement in accordance with the Procedures for Rectification and Preventive Measures. Zhongshan Yong Fa plant, for example, received three complaints, four rejects and nine customer claims during the reporting period. After verification, sixteen cases were found to be due to product quality problems, which were handled during the year in accordance with the procedures; and the plant will further strengthen its analysis of the causes of product quality problems and formulate targeted preventive measures to avoid the occurrence of similar cases. During the reporting period, the two plants were not aware of any cases related to breach of product responsibility.

Anti-corruption

Based on the Group's Eight Provisions on Integrity and Self-discipline, the anti-corruption policies of Zhongshan Yong Fa and Zhongshan Rengo Hung Hing cover stringent enforcement of established procedures for screening, obtaining quotations and tendering when selecting suppliers, contractors and collaborators with prohibition on accepting benefits and gifts from collaborative partners; prohibition on abuse of power for the benefit of relatives, carrying out related party transactions and embezzlement of corporate funds and corporate property. Employees can report to the human resources department if they are aware of the above conduct. If found to be true after investigation, the plants will impose on the employee in breach of regulations penalties such as giving a warning, lowering the salary, removing from office, dismissal and termination of labour relations. Those who violate the law will be referred to the judiciary for handling. The Group complies with the Criminal Law of the People's Republic of China and other relevant laws. During the reporting period, the two plants were not aware of any cases of corruption, breach of regulations or litigation involving the Group and its employees.

Community Investment

There has been growing awareness of corporate social responsibility in the market, resulting in the emergence of the concept of "Social Licence to Operate" which places emphasis on the idea that instead of pursuing short-term financial results and returns for its shareholders as its goals, an enterprise should have regard to the long-term interests of society as a whole. Although Zhengye International has yet to establish an overall policy on community investment, the plants have currently taken the initiative to carry out community participation initiatives through various means. In 2016, Zhongshan Rengo Hung Hing donated RMB100,000 and RMB20,000 respectively to Shaxi Town Charity Association, Zhongshan, and Shaxi Haochong Villagers' Committee Haochong Primary School, Zhongshan, in support of the construction local elderly home and primary school facilities. Zhongshan Yong Fa encouraged employees to serve as volunteers to support cultural and recreation activities hosted by local communities, and its employees participated in 50 hours of volunteer work in total during the year. In future, the Group will make additional improvements to its community policies and plans to further strengthen the links between the Group and the communities where it operates.

Environmental, Social and Governance Report Guide Content Index

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A1 Emissions		
General disclosure	Information on:	6–7
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have significant impact on the issuer	
	relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste	
A2 Use of Resources		
General disclosure	Policies on efficient use of resources, including energy, water and other raw materials	7
A3 The Environment and Natural Resources		
General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	8

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Major Aspect	Content	Page Index
B1 Employment		
General disclosure	Information on: <ul style="list-style-type: none"> (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	9–10
B2 Health and Safety		
General disclosure	Information on: <ul style="list-style-type: none"> (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	8–9
B3 Development and Training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	10
B4 Labour Standards		
General disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	11
B5 Supply Chain Management		
General disclosure	Policies on managing environmental and social risks of the supply chain	11
B6 Product Responsibility		
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B7 Anti-corruption		
General disclosure	Information on:	12
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	(b) compliance with relevant laws and regulations that have a significant impact on the issuer	
	relating to bribery, extortion, fraud and money laundering	
B8 Community Investment		
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	12