

Qingling Motors Co., Ltd.

**2017 Environmental, Social and
Governance (“ESG”) Report**

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ABOUT THIS REPORT

This Report provides information of Qingling Motors Co., Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”) on its full-scale implementation of environmental, social and sustainable development concepts, and measures and performance in relation thereto in 2017. The Group has prepared this Environmental, Social and Governance Report (the “**Report**”) in accordance with the ESG Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEX**”) (the “**Listing Rules**”). This Report is to be read in conjunction with the Corporate Governance Report contained in the 2017 Annual Report of the Group so as to have an overall understanding of the environmental, social and governance performance of the Group.

Scope of the Report

The Report covers the businesses which the Group has control over and has significant influence in their environmental and social aspects, and discloses the main measures and activities conducted by the Group during the period from 1 January 2017 to 31 December 2017 (the “**Reporting Period**”). The scope of the Report includes the Company and its subsidiaries.

Language of the Report

The Report is published in two versions, Simplified Chinese and English. If there is any inconsistency between the Simplified Chinese version and English version, the Simplified Chinese version shall prevail.

Stakeholder Engagement

Thanks to the participation and support contributed by the internal stakeholders in preparation of this Report, the Group is able to have a clearer understanding of its progress in environmental and social aspects. Information on environment, society and corporate governance of the Group is also available on the official website of the Group (<http://www.qingling.com.cn>) or the website of the HKEX (<http://www.hkex.com.hk>) .

Feedbacks

The Group looks forward to receiving any comments from the readers and please send the comments to us by the following means:

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1. Overview of the Group

1.1 Group profile

The Group is principally engaged in the production and sale of Isuzu light, medium and heavy-duty commercial vehicles, which includes trucks of 1.5 tonnes to 15 tonnes and tractor of 40 tonnes, pickup trucks, sport-utility vehicles and diesel and petrol engines of 77 hp to 380 hp.

The Group was established by Qingling Motors (Group) Company Limited and Isuzu Company in 1985. The Company was the first Sino-foreign joint venture in Chongqing since the city's reform and opening up. The Company issued stock shares in HKEx in 1994 and issued convertible bonds abroad in 1997.

The Group has products for high-end customers of both domestic and foreign market. Domestic market: firstly, customers of key industries such as oil, post, communication, finance, electric, tobacco and so on; secondly, customers of modified vehicles with high value added; thirdly, other customers such as municipal-service, sanitation, fire-fighting, cold storage, airport services and so on. Foreign market: key customers are famous multinational corporations from Japan, Europe, and America.

Productivity per worker, per capita sales, and per capita profit of the Group is greater than other national automobile enterprises. The Group won the National Quality-Benefit Enterprise and the special award for National Advanced Quality-Benefit Enterprise from 1999 to 2001. The Group won the first Chongqing Mayor Quality Management Award in 2009 and the Jiulongpo District Head Quality Management Award of Chongqing in 2018. It has been awarded as one of the Top 50 Industrial Enterprises of Chongqing for 16 years including 8 years at top of the list.

1.2 Communications with Stakeholders

The Group adopts a diversified communication mechanism to conduct adequate communication with all the stakeholders involved, including the government, shareholders, clients, employees, partners, the community and the society, in order to proactively respond to their expectations of the Group.

Table 1 Communication mechanism and expectations of the stakeholders

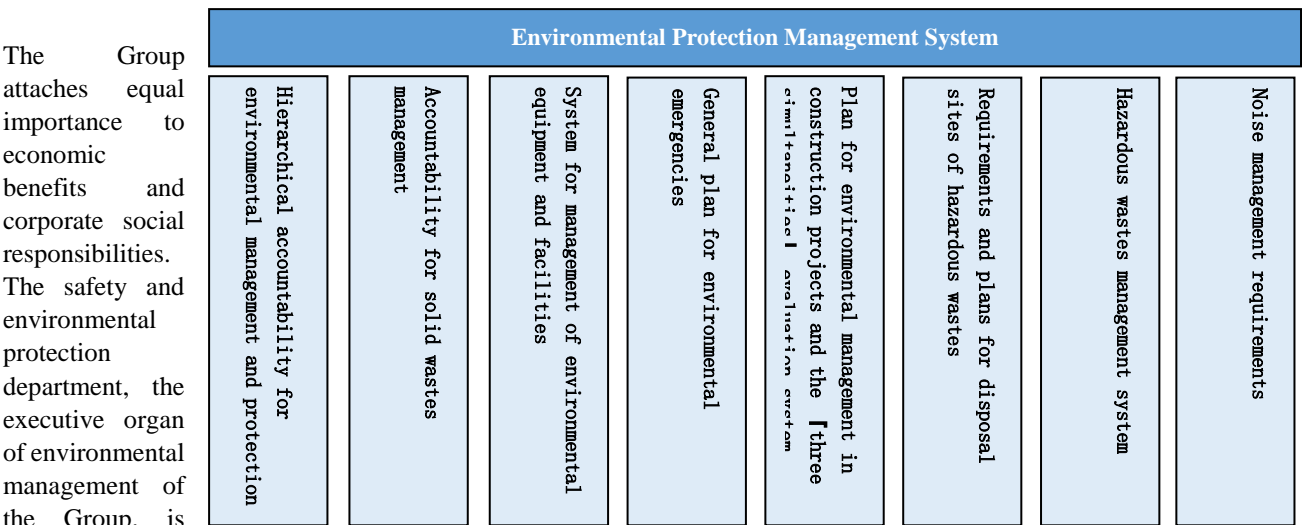
Stakeholders	Communication mechanism	Expectations of the stakeholders
Government	<ul style="list-style-type: none"> • Daily management • Meetings • Monitoring and inspections • Monthly report to the SASAC (work report) 	<ul style="list-style-type: none"> • Compliance with laws • Paying taxes according to the law • Supporting local development
Shareholders	<ul style="list-style-type: none"> • Shareholders' meeting • Information disclosure • Activities promoting investor relations 	<ul style="list-style-type: none"> • Continued development and return to shareholders • Information disclosure and investor relations • Corporate governance and risk control
Clients	<ul style="list-style-type: none"> • Call center • After-sales services • Repair station 	<ul style="list-style-type: none"> • High-quality products • High-quality services before and after sales • Protecting the rights and interests of the clients
Employees	<ul style="list-style-type: none"> • Staff trainings • Staff activities and staff • Monthly digest of Qingling • Conversations with the disciplinary inspection commission • Corruption reporting procedures 	<ul style="list-style-type: none"> • Guarantee of salaries and benefits • Favorable working environment and development platform • Equal opportunities for promotion and development • Smooth communication channels
Partners	<ul style="list-style-type: none"> • Project negotiations • Assessment and inquiry • Communications in the course of cooperation • Supplier assessment and evaluations • Open bidding and tendering • Information-based construction • Tip-off procedures 	<ul style="list-style-type: none"> • Keeping promises • Equal, open and fair procurement • Transparent procurement agreement • Development with mutual benefits
Community and society	<ul style="list-style-type: none"> • Charitable domination 	<ul style="list-style-type: none"> • Promoting urban development • Raising public awareness • Promoting social harmony

1.3 Materiality analysis

The Group carried out materiality analysis with the stakeholders to seek for their opinions last year. As the businesses, scales and stakeholders of the Group during the Reporting Period are very similar with those in 2016, there is no significant change in material topics and topic boundaries of the Group from 2016. Material topics of the Group include “production safety”, “occupational health”, “product quality”, “after-sales services”, “investor relations”, “safeguarding the rights and interests of the customers”, “protecting the rights and interests of employees” and “promotion channel”, targeted at which the Group will respond to the expectations of the stakeholders in this Report.

2. Environmental Governance

Diagram 1 Environmental Protection Management System



mainly in charge of the establishment of various environmental protection and management systems, implementation of specifications and standards and formulation of environmental protection work plans as well as being responsible for supervising and pushing ahead the implementation of environmental protection assignments of each department. In order to reinforce environmental protection, the Group has been contributing large sums of special funds to upgrade and ameliorate environmental protection facilities and dispose hazardous wastes and common solid wastes according to laws, thus ensuring compliance discharge with practical actions.

2.1 Emissions

The Group values the environmental impacts of its production and has classified and improved the environmental management system so as to comply with requirements of the Law of the People's Republic of China on Environmental Protection, the Law of the People's Republic of China on Environmental Impact Assessment and other relevant national and regional laws and regulations. The Group will invite the environmental supervisory authorities to conduct regular monitoring over the emissions subject to the restrictions of laws and engage independent third-party institutions to carry out environmental evaluation and record and prepare environmental monitoring reports accordingly. A countermeasure will be taken immediately after any problem is identified so as to achieve compliance emission. All construction projects of the Group have been implemented in strict accordance with the principle of simultaneous construction of the environmental facilities and the main construction facilities and in compliance with the environmental protection system of the "three simultaneities", i.e., simultaneous design, construction and putting to operation of the environmental facilities and the main construction facilities, thereby following through and implementing the environmental work in accordance with laws and regulations.

2.1.1 Emission of waste gases

Exhausts of the Group mainly comprise the emissions of the boilers and coating waste gases. The Group observes strictly the Law of the People's Republic of China on Atmospheric Pollution Prevention and Control, the Integrated Emission Standard of Air Pollutants of Chongqing published by the Chongqing Municipal Environmental Protection Bureau and the Quality and Technology Supervision Bureau in 2012 as well as other relevant national and regional laws and regulations and has been supporting the "Blue Sky Initiative" implementation plan put forward in Chongqing in 2013. In response to the increasingly high environmental standards, the Group completed clean energy ("using natural gas instead of coal") project for the coal-fired boilers in 2014 and replaced the coal-fired boilers with the newly constructed natural gas-fueled boilers, resulting in substantial reduction of the emission of air pollutants such as exhaust fume, NO_x, SO₂, etc., and the decrease of SO₂ emission by 98%.¹

¹ Calculated based on 6,5000 units of finished cars.

The Group has launched the project for “Treatment of Air Pollutants from Coating” pursuant to the *Emission standard of Air Pollutants for Surface Coating of Automobile Manufacturing Industry* (DB50/577-2015) promulgated in 2015 in Chongqing, which is mainly used for collecting and disposing of volatile organic compounds (“VOCs”) arising from the coating process in the manufacturing workshop so as to satisfy the new emission standards for coating waste gases with an annual reduction of 381 tonnes of VOCs. Meanwhile, the Group has installed a purging system to collect and dispose of the smoke and exhausts generated by the laser cutting machines of the molding company for compliance emission. In terms of treatment of exhausts and fumes, the Group improves the environment of the welding workshop, strengthens removal and treatment of welding fume and dust in the car-frame workshop and maintains continuous and stable compliance emission of welding fume. During the Reporting Period, dust and fume, NO_x and SO₂ generated by the Group were not more than 9.20 tonnes, 32.56 tonnes and 9.68 tonnes, respectively.²

² The Group’s pollutant emissions strictly abided by the requirements as stipulated on the Chongqing Pollutants Discharge Permit. The Group will further allot more resources for the establishment of on-line devices for the monitoring of pollutant emissions.

Case: the Project for “Treatment of Air Pollutants from Coating”

In order to follow through the new environmental protection and emission standards, the Group, upon long-term research, adopts the plan of “direct extraction of waste gases + absorption and condensation through rotating zeolite + high temperature incineration treatment in the combustion furnace of the regenerative chamber (RTO)” in the coating lines of the axle assembly workshop instead of the “discharge after spray + combustion treatment”, and the “waste gas extraction + RTO incineration treatment” plan for baking exhausts, which are able to collect waste gas efficiently and thereby reduce the emission of waste gases. Total investment in environmental governance is expected to be RMB76.41 million.



2.1.2 Greenhouse gases

The Group’s greenhouse gases mainly include Scope 1: Direct emissions and Scope 2: Energy indirect emissions. Direct emissions are attributed to fuel emissions from boilers, heat treatment, trial runs and transport vehicles. Indirect energy emissions are attributed to purchased electricity. The Group cooperated with competent authorities to complete a carbon emission report, carbon emission verification, etc. in accordance with the Interim Measures for Management of Carbon Emissions Permit Trading of Chongqing. Due to the fact that greenhouse gas emissions come mainly from energy consumption, the Group has proposed to carry out energy conservation transformation projects and implemented energy conservation policy to reduce the use of energy, so as to mitigate the emission of greenhouse gases.

During the reporting period, the Group generated 13,251.87 tonnes of CO₂e (Scope 1) and 25,167.05 tonnes of CO₂e (Scope 2) of greenhouse gases³.

2.1.3 Waste water discharge

Waste water of the Group mainly includes production waste water and domestic waste water. In accordance with the Law of the People's Republic of China on Prevention and Control of Water Pollution, Water Quality Standards for Sewage to be Discharged into Municipal Sewers and other national and local sewage discharge standards, the Group has formulated internal regulations and systems, including the Environmental Protection Regulation, the Environmental Protection Equipment Management Regulation and the environmental protection management responsibility system at all levels, to ensure that the Group’s sewage discharge is in line with laws and regulations.

The Group has 3 waste water treatment stations in the plant area, two of which are used to treat coating waste water and one of which is used to treat machining waste water. Treated waste water which has reached discharge standards will be discharged into natural water bodies. The Group also has a biochemical pool for domestic sewage to treat domestic sewage and discharge it into the municipal sewers. The Group has completed the upgrading and transformation of the coating waste water treatment station, optimized the waste water treatment process, and installed an on-line monitoring device to monitor the waste water produced in the production process in real time, so as to ensure the stable up-to-standard discharge.

During the reporting period, the Group produced and discharged 118,700 tonnes of waste water. The concentration of chemical oxygen demand (COD) and total suspended solids (TSS) in the waste water discharged by the Group were below the limits as set out in Chongqing Pollutants Discharge Permit, and there were no violations of relevant laws and regulations.

³ The greenhouse gas production figure is the calculated version of the Group and is not the final audited value. In case of an update after the review process, the value will be displayed and reflected in the report for the next year.

2.1.4 Solid waste

Solid wastes of the Group mainly include non-hazardous industrial wastes and hazardous wastes from the production process, and domestic wastes from living and working in the factory. In accordance with the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes, Environmental Protection Rules of Chongqing and other national and local laws and regulations, the Group has formulated internal policies such as the Regulations on Management of Hazardous Wastes Storage Site and the Hazardous Wastes Management System, stored hazardous wastes in a special storage site, and engaged a qualified company to treat the hazardous wastes.

Recyclable solid wastes are subject to recycling by qualified companies. Other unrecyclable used timber and domestic wastes are subject to collection and treatment by the municipal environmental sanitation department as entrusted by the Logistics Department. During the reporting period, the non-hazardous wastes produced by the Group included 1,260 tonnes⁴ of domestic wastes and 56.16 tonnes⁵ of used timber, 361.84 tonnes of hazardous wastes, and the solid wastes recycled by the Group included 12.72 tonnes of packing barrels for coating and lubricating oil.

2.2 Use of Resources

The Group is committed to energy conservation, emission reduction and comprehensive utilization of resources. Adhering to the harmonious development of production and operation and ecological environment, the scientific development concept of environmental protection and comprehensive utilization of resources is embodied through emission reduction, energy conservation and resource protection. Energy conservation, emission reduction and comprehensive utilization of resources are implemented in production and operation activities.

2.2.1 Energy conservation

The Group's energy use is mainly from fuel and purchased electricity, including natural gas used by boilers and the heat treatment process, gasoline and diesel used by test runs, and electricity used in living and working. In accordance with Energy Conservation Law of the People's Republic of China and other relevant laws and regulations, the Group has set up a Utilities Management Department and a special energy management position, and formulated internal policies including the Measures for Management of Energy Conservation and the Equipment Utilities Management and Assessment System for uniform management of energy conservation of the Group and further strengthening the control of greenhouse gas emissions.



⁴ This projection method was based on the calculation of the density in respect of urban solid wastes according to the Volume-to-Weight Conversion Factors for Solid Wastes of the USEPA.

⁵ The Volume of domestic wastes was calculated at the load capacity of every transportation vehicle, which is of 6 m3 per vehicle, and there recorded a total of 1,200 units of vehicles during the reporting period.

The volume of used timber was calculated at the load capacity of every transportation vehicle, which is of 6 m3 per vehicle, and there recorded a total of 60 units of vehicles during the reporting period.

The Group has established a number of energy management systems and related documents, including the Energy Statistics Reporting System, Measurement Management Measures, Measures for Assessment of Electricity Consumption for Manufacturing Department and Workshops of the Company, Interim Measures for Management of the Usage of Lighting on Top of Plant and the Detailed Rules on Assessment. The Group regularly supervises and inspects the energy conservation of each department and subsidiary, and has formulated energy conservation measures.

The Group's technical improvement for energy conservation is in the charge of each department which formulates an implementation plan for each energy conservation technology to enable its smooth implementation. After the implementation of the technical measures for energy conservation, the energy consumption will be tested and compared with that before the implementation of such measures to evaluate the energy conservation effects and economic benefits. The Group conducts a comprehensive inspection of energy conservation projects to confirm the energy conservation effects each year.

Case: Air compressor upgrade and transformation	
The Group upgraded 3 piston air compressors with high energy efficiency in the central air compressor station and installed the class 1 energy-efficient two-stage compression screw air compressor, which improved the gas production efficiency by 15% and reduced approximately 24,000 kWh of electricity per month.	
Before transformation:	After transformation:
	
<p>4 This projection method was based on the calculation of the density in respect of urban solid wastes according to the Volume-to-Weight Conversion Factors for Solid Wastes of the USEPA.</p> <p>5 The Volume of domestic wastes was calculated at the load capacity of every transportation vehicle, which is of 6 m3 per vehicle, and there recorded a total of 1,200 units of vehicles during the reporting period.</p> <p>The volume of used timber was calculated at the load capacity of every transportation vehicle, which is of 6 m3 per vehicle, and there recorded a total of 60 units of vehicles during the reporting period.</p>	

Case: Transformer upgrade	
The Group replaced 2 original S9 high-energy consumption transformers with the upgraded SCB12 energy-saving transformers, reducing power loss during transformer operation.	
Before transformation:	After transformation:
	

Case: Lighting lamp upgrade
The Group replaced the original high-energy consumption lighting lamps in the workshop with energy-saving LED lamps, completed the transformation of the ceiling lamp in the pressing workshop, and replaced 166 lamps totally, saving approximately 114,600 kWh of electricity annually.

During the reporting period, the Group consumed 34,741,924 kWh of purchased electricity, 4,244,131 cubic meters of natural gas, 105,600 litres of gasoline, and 1,161,600 litres of diesel.

2.2.2 Water conservation

In accordance with the *Water Law of the People's Republic of China* and other relevant laws and regulations, the Group sets targets in controlling the cost of water, electricity and gas for each manufacturing unit based on production targets at the beginning of each year and conducts annual appraisal. It has formulated special regulations on leakage and submits monthly the *Water Consumption in Industrial Enterprise* to competent authorities. Water consumption was included in the examination process of energy management; any problems found were subjected to treatment. The Group reduced water consumption in each step of production and made efforts to “save every drop of water” in order to reduce water consumption.

The Group mainly uses water from municipal water supply pipeline and faces no difficulties in obtaining water. During the Reporting Period, the Group purchased 1,316,037 tonnes of water, representing a decrease of 4.04% from the corresponding period of last year.

2.2.3 Packaging materials conservation

The Group's packing materials mainly included wooden cases, cartons and iron cases used for components. The Group formulated the *Management Regulation on Logistics Containers and Packing* and set the packing quota of each product to reduce the consumption of packaging materials. Table 2 set out the consumption of packaging materials by the Group during the Reporting Period.

Table 2 Consumption of Packaging Materials

No.	Category	Unit	Consumption
1	Wooden products	m ³	97.40
2	Iron products	m ²	99,184
3	Iron cases	piece	3,007

2.3 The Environment and natural resources

2.3.1 Noise reduction

The main noise sources of the Group are from the machinery operation in the air compressor room and the power testing room. In accordance with the *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise*, the Group formulated the *Noise Management Regulation* to strictly control noise pollution and reduce noise pollution.

The Group mainly conducts noise management on equipment in two ways. Firstly, it introduces equipment with low noises to reduce the noise from production. Secondly, it reduces noises through various sound insulation measures. The Group adopted effective noise management measures. For example, the Group installed sound insulation materials on the ceiling and walls of the air compressor room and the power testing room, and the Group also used sound proof doors and windows and installed noise absorption rooms out of the machinery. In addition, the Group required that the machinery operation at all departments should be arranged from 6 am to 10 pm and production is prohibited during the rest of time so as to prevent the production from disturbing people with noises.

During the Reporting Period, the Group received no complaints on noise pollution.

Figure 2 Physical Sound Insulation Measure—Noise Absorption Room



3. People Orientation

The Group views human resources as the most valuable assets and strives to safeguard the legal rights and interests and staff and providing each staff with a safe and comfortable working environment. The Group actively offers promotion opportunities, diversified training courses and different staff activities to enhance the cohesiveness of the staff, thus aiding the growth of both the staff and the company.

3.1 Human capital

In accordance with the *Labor Law of the People's Republic of China*, *Labor Contract Law of the People's Republic of China*, *Provisions on Prohibition of Child Labor*, *Social Insurance Law of the People's Republic of China* and other relevant laws and regulations on remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversification and anti-discrimination, the Group formulated the *Position System Management Regulation* and *Remuneration System Management Regulation* and other management regulations on human resources. The Group opposes various forms of discrimination and strives to create a high-efficient, inclusive, diversified and equal working environment.

The Group strictly reviews the identification certification and educational certification in staff recruitment. Newly-recruited staff are required to sign the *Labor Contract* and fill in their birthdate to prevent the employment of child labor. It also clarifies terms of dismissing the contract from company side and employee side in the *Labor Contract*, including the clause on the violation of national laws and regulations or rules and systems of the Group by the staff. The Group implements the corresponding working system and working hours based on its actual needs in accordance with state regulations. Staff are entitled to statutory holidays and annual leaves, including sick leaves, private affairs leaves, martial leaves, funeral leaves and family-visiting leaves, according to laws and regulations. Where staff are required to work on holidays, the Group will pay overtime salary or compensatory leaves according to state regulations and prevent forced labor. In addition, the Group also clarify in the *Labor Contract* that staff can rescind the labor contract immediately if the Group forces staff to work through illegal means. During the Reporting Period, the Group received no cases on child labor or forced labor.

Position system, job level system, promotion channels, development paths and other position management policies were clarified in the *Position System Management Regulation* formulated by the Group. Staff are promoted or demoted regularly after reviewing their remuneration, ability, responsibilities and performance through the standard review system. The Group also formulated the *Remuneration System Management Regulation* and established a remuneration portfolio with fixed salary, float salary, special salary and others to improve the remuneration system.

All full-time employees are entitled to work-related injury insurance, unemployment insurance, medical insurance, pension insurance, maternity insurance, housing fund and enterprise annuities as required by the state regulations. The Group also provides staff with subsidized canteen, staff dormitory and other welfare in factories.

3.2 Health and safety

In strict accordance with the *Labor Law of the People's Republic of China*, *Work Safety Law of the People's Republic of China*, *Prevention and Control Law of Occupational Diseases of the People's Republic of China*, *Provisions on Supervision and Administration of Work Safety in Chongqing*, *Provisions on Work Safety in Chongqing* and other relevant laws and regulations, the Group formulated the *Safety and Environmental Management Accountability System*, *Safety Management System on Equipment Inspection, Repairing and Maintenance* and other relevant management systems and made efforts to provide employees with a healthy, safe and comfortable working environment.

The Group formulated the *Safety and Environmental Management Accountability System* and established the Safety Committee to oversee work safety of the Group. The committee is made up of the chairman of the Group, the general manager, the managers of the production and safety departments. The Safety Committee is responsible for arranging and promoting work safety, establishing complete production systems and plans and urging the implementation in all departments to ensure the proper completion in relevant departments.

The Group attached high importance to staff safety and health. To further evaluate the risks on working environment, the Group held a total of 64 meetings on safety and environmental protection during the Reporting Period to review the current deficiencies and take corresponding measures. Following the concept of “People Orientation” on safety management, the Group invested RMB70,998,700 specially on safety and environmental protection and focused on strengthening on-site safety protection, rectifying hidden dangers in safety and environmental protection as well as improving the operation environment. At the same time, it regularly purchases on-site safety signs, safety books, wall charts and image materials to create an excellent cultural atmosphere on work safety and enhance the safety awareness of staff. In addition, the Group also actively handles hidden dangers according to the *Safety Management System on Equipment Inspection, Repairing and Maintenance*. During the Reporting Period, it handled a total of 5,136 hidden dangers.

Figure 6 Items on Occupational Safety – Warning Signs



Figure 7 Items on Occupational Safety – Bulletins



The Group also requires that management shall hold work safety management certificates and occupational health management certificates and ensure that they have certain knowledge on occupational safety to prevent accidents. The Group provides staff with labor protection articles and teaches them how to use them in accordance with the *Management Regulation on Labor Protection Articles*. It also requires that all labor protection articles and facilities should meet national standards and regularly replacing labor protection articles.

The Group spares no efforts in safety education. It held the month of national safety during the Reporting Period and publicized work safety guidelines and relevant laws and regulations through broadcasting, TV, publications and competitions. The Group also held work safety exhibitions and made display boards for conducting work safety publicity and education with the contents covering traffic safety, fire prevention, fire safety knowledge, laws on work safety, major accident cases and emergency rescue proposals to enhance the staff's awareness on work safety and handling of crisis. For fire prevention knowledge, the Group also appoints external professionals to offer special trainings on relevant laws and regulation, how to use gas masks, fire extinguishers, fire hose and holds competitions on fire safety knowledge. The Group has a micro fire station and conducted 4 exercises on emergency rescue on work safety accidents, including evacuating people to safe places, simulative firefighting, emergency injury treatment and moving the injured to ambulances.

Through various learning, education and training activities, it focused on enhancing four capabilities of the Group in fire safety management, namely the ability in inspecting and eliminating hidden dangers, the ability in fighting against fires at

the beginning, the ability in evacuating and rescuing people and the ability in promoting education and training on fire prevention.

Figure 8 Fire prevention training given by an instructor from the fire prevention centre



Figure 9 Fire prevention training given by an instructor from the fire prevention centre



Figure 10 Interpretation on how to use gas masks



Figure 11 Fire drill with fire extinguishers



Figure 12 Interpretation on how to connect and use fire hose



Figure 13 Exercising on connecting and using fire hose



Case: Micro fire station

The Group has a micro fire station, providing necessary fire-fighting equipment and articles. The Group also regularly conducts fire drills to respond to fire accidents.



During the Reporting Period, the Group recorded no fire or traffic accidents.

3.3 Development and training

The Group established the Department of Human Resources Training responsible for staff training in 2017. It formulated the *Employees Training Management Regulation* and the *Regulation on Training, Exam, Assessment and Promotion of High-skilled Workers* to provide training and assessment for staff at different positions and increasingly enhance their knowledge and position skills.

The Group also vigorously offers various trainings, such as trainings for new staff and those changing positions. During the Reporting Period, 363 new staff, 597 staff changing positions and 55 medium staff participated in trainings.

3.4 Staff care

The Group consistently safeguards the legal rights and interests of staff and provides them with a desirable and comfortable working environment. It improves relevant systems on staff health and safety and offers skilled staff with platforms to display their strength. The Group also arranges various activities through the department of Party and masses work, the labor union and the Youth League committee to enrich their spare life and balance their work and life.

During the Reporting Period, the department of Party and masses work of the Group organized various activities with the participation of young staff, including youth friendship activities, visiting on May 4 and further training for youth league cadres.

Figure 14 Staff activity – Visiting on May 4



Figure 15 Staff activity - Further training for youth league cadres



In addition, the Group cares about urgent needs of staff and pays more attention to communication with staff. We regularly hold staff representative meetings through the labor union to listen to staff advices and help them solve difficulties.

4. Operation practice

4.1 Product quality

The Group strictly conforms to the Product Quality Law of the People's Republic of China and other relevant national laws and regulations. In accordance with ISO 9001 Quality Management Standards, GJB19001A Quality Management System Certification for National Military Standard and ISO/TS 16949 Quality Management System Certification for Global Automobile Industry, the Group has built a sound automobile quality management system, specified the benchmark of the Group, and conducted regular audits of relevant system to improve efficiency of operation. For example, the Physical Quality Compliance Program has been formulated to strengthen the monitoring of the production process according to the characteristics of individual products to ensure the continuous improvement of the performance and quality of products.

To ensure product quality, the Group strengthens source management in the procurement of automotive parts and components, and has formulated strict evaluation criteria for parts suppliers to ensure the quality of parts and components and prohibit shoddy products. The Group implements strict standardization management in the production process, focuses more on process quality management, and prohibits defective products and unqualified products on the assembly line to ensure qualification rate on the assembly line. Before warehousing any products, the Group implements strict product quality inspection system to prohibit the release of unqualified products.

The Group strictly observes the Regulation on the Administration of Recall of Defective Auto Products and other domestic and foreign laws and regulations concerning the recall of defective automobiles, and has formulated the Measures for Recall of Defective Automobiles, which sets out clear guidelines on recalling relevant products. We have also drawn up a detailed quality control process and conduct regular inspections and road test inspections for vehicles from time to time. If necessary, we will entrust a testing center to inspect the products and keep the defective products in the Group for timely rectification and processing in accordance with the Controlling Procedures for Unqualified Products. In addition, the Group has also drafted the Product Identification and Traceability Control Procedures, with which the products that have been delivered to customers can be traced back to the entire process of manufacturing of the products and to the source of production through the identification and records of all stages of the production line.

Case: test and inspection center

According to national regulations, domestically-produced vehicles and engines are subject to emission testing and all the test results shall meet standards. The Group has built a compliant emission laboratory in strict accordance with the requirements of the National Laboratory, and compared the laboratory test results with those of the national light vehicle emission laboratory. The findings reflected that the Group's laboratory test level can be comparable to that of the National Laboratory. The Group also has a number of test and inspection centers for automotive performance. We will conduct detailed tests on engine performance, inertia braking performance, fatigue durability and high and low temperature durability of different vehicle components. The Group performs the above tests through various advanced scientific instruments to ensure that the quality of the vehicles sold is in line with the national standards.



The Group strictly complies with the Advertising Law of the People's Republic of China and other laws and regulations, and has prepared the Measures for Management of Advertising to manage and standardize the Group's advertising and publicity work uniformly, express advertising messages in a true, legal and healthy manner, and put an end to false and misleading statements in product publicity. The Group has also formulated the Measures for Management of Brand to uniformly manage the Group's company name, logo, trademark, service mark and network domain name, etc., and has detailed regulations on brand authorization, trademark management and brand protection.

During the reporting period, the Group did not receive any complaints about the improper advertising messages or labeling of the products.

4.2 Property rights protection

The Group has always complied with the provisions of the Intellectual Property Law of the People's Republic of China, the Trademark Law of the People's Republic of China and the Detailed Rules on Implementation of the Trademark Law, the Patent Law of the People's Republic of China and the Detailed Rules on Implementation of the Patent Law as well as the concrete provisions of the city in carrying out the design and filing of trademarks and patents. It also developed the Measures for Management of Patent to perform overall planning and unified management for the Group's patents.

In respect of protection of consumers' rights and interests, the Group strictly follows the Law of the People's Republic of China Protection of the Rights and Interests of Consumers in the production and sales of automobile products and auto parts, provides consumers with product specifications as detailed as possible and displays advertisements that reflect the real characteristics of products.

4.3 Customer service

The Group has set up a 24-hour nationwide service hotline to receive and handle customer inquiries, complaints and other services. To ensure the quality of services, the Group has also established a Customer Satisfaction Survey Process and conducted customer satisfaction surveys in terms of quality, service quality, product appearance and value by telephone, questionnaire or verbally. And the survey results will be analyzed to improve the quality of products and services.

The Group also attaches great importance to the privacy of customers. Any information on customers is classified as trade secrets. And accordingly, the Measures for Management of Customer Files has been prepared to protect and manage the privacy of customers and prevent the leakage of information.

Case : (after-sales service) – Qingling Die Co., Ltd

Qingling Die Co., Ltd. mainly produces automobile panel molds for customers, and is in charge of acceptance and delivery of products after the completion of different mold products according to the customer's order. In order to ensure that there is no deviation with the sold molds due to mass production, the Group will dispatch two or three technicians who are responsible for the relevant molds to stand by at the customer's production line, adjust the molds for the customer, if required, and solve the problems related to the molds during the delivery of products. The final acceptance will not be carried out until the mold has been adjusted. The maintenance period is one year after the final acceptance. During the period, a technician will go to the relevant factory to adjust the mold according to the customer's needs to ensure that the mold sold satisfies the customer's requirements.



4.4 Supply chain management

The Group has formulated Management Regulation on Purchasing New Materials, Management Regulations on Purchase and Assessment of Trial Producing and Testing for New Components, and Supplier Assessment and Selection Process and Transparent Procurement Agreement and implemented the concept of sustainable development in the process of selecting suppliers. Suppliers are required to fulfill their social responsibilities in a number of aspects. The Group conducts on-the-spot investigations and assessments from time to time, and prepares investigation reports based on the performance of suppliers. In particular, in respect of environmental management, no suppliers who have potential environmental problems will be selected for the purpose of saving costs. If some suppliers are found to have violated relevant laws and regulations on pollution control, the cooperation relationship will be immediately terminated and alternative reliable suppliers will be sought instead.

4.5 Anti-corruption

The Group distributes the Certain Regulations on Honest Working for SOEs Leaders, the CPC Honesty and Self-discipline Standards, the CPC Disciplinary Punishment Ordinance and other documents and complies with laws and regulations related to preventing bribery, extortion, fraud and money laundering such as the Company Law of the People's Republic of China, Law of the People's Republic of China on Tenders and Bids, Anti-Unfair Competition Law of the People's Republic of China, Anti-Money Laundering Law of the People's Republic of China and Interim Provisions on Banning Commercial Bribery in the bidding and tendering for projects construction, large equipment, bulk raw materials, components and services.

The Group strictly cracks down on corruption, bribery, extortion, fraud, money laundering, etc. in relation to employees, and sets out internal policies accordingly, such as the Measures for Management of Tenders and Bids, Interim Provisions on Business Entertainment, Regulations about Reaffirming Honest Working Disciplines for Leaders and other regulations. It also establishes the negative list in the conduct of CPC carders and lists 58 irregular activities prohibited by CPC members. The disciplinary committee of the Company strengthened warning and education at important time. It maintains reminding and education on festivals and key dates and make clear disciplinary requirements through distributing documents and notices, convening warning meetings, issuing text and WeChat messages and talks to ensure the integrity of employees at all levels of the Group. The Group requires leaders

of key departments to sign the risks control responsibility agreements and employees on important positions to sign the Honesty and Self-discipline Commitment and promise to comply with all regulations regarding honesty and self-discipline, perform position duties carefully and be honest and fair. In addition, the Group has formulated the Internal Audit Regulation and Measures for Implementation of Internal Audit, and established the Audit and Supervision Department to audit and supervise the Group's headquarters, departments, subsidiaries and relevant personnel independently and objectively. Anyone who violates national laws and regulations or regulations of the Group will be punished according to relevant regulations, and they will be transferred to judicial authorities if they are suspected of crime.

In addition to strict regulations for the employees, the Group will also sign the Transparent Procurement Agreement with suppliers, which specifies that both parties shall comply with national laws and provisions regarding honest working, and conduct fair, just and open procurement and prohibit any violation of law or discipline.

During the reporting period, the Group did not receive any complaints and cases concerning corruption, bribery, extortion, fraud and money laundering of the Group and its employees.

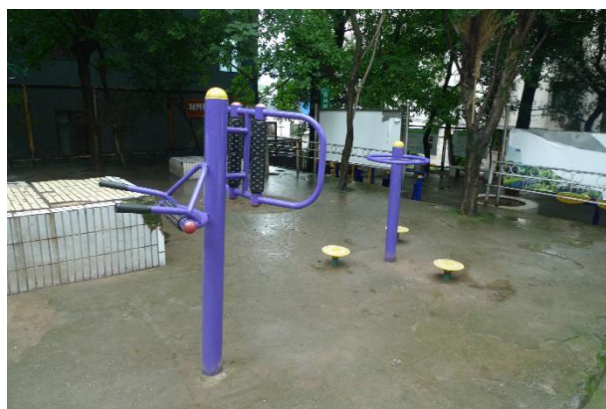
4.6 Community investment

The Group has formulated the Measures for Management of Charity and Public Benefit Campaigns which sets out detailed provisions on the capital source, capital management, types of main events, summary and propaganda, and assessment of charity and public benefit campaigns. During the reporting period, the Group provided cultural venues for the community allowing the people in the community to use facilities.

Figure 16 Provision of cultural venues



Figure 17 Provision of cultural venues



5. Performance Data Summary in the Year of 2017

The data calculation methods used for this Report are stated where appropriate. The period for the performance data provided in this section is from 1 January 2017 to 31 December 2017.

Environmental Performance	Unit	Quantity	Intensity
			Per vehicle produced
Resources consumption			
Purchased electricity	Kwh	36,541,543	514.52 kwh/
Purchased freshwater	Tonnes	1,316,037	18.53 tonnes/per vehicle produced
Natural gas	m ³	4,244,131	59.76 m ³ /per vehicle produced
Gasoline	litre	105,600	1.49 litre/per vehicle produced
Diesel	litre	1,161,600	16.36 litre/per vehicle produced
Steel products	Tonnes	32,092.96	0.45 tonnes/ per vehicle produced
Packing materials consumption			
Wooden products	m ³	97.40	1.37 x 10 ⁻³ m ³ /per vehicle produced
Paper produts	m ²	99,184	1.40 m ² /per vehicle produced
Iron cases	Piece	3,007	0.04 Piece/per vehicle produced
Ordinary films	Tonnes	11.33	1.59 x 10 ⁻⁴ tonnes/per vehicle produced
Wastes generation by type			
Domestic wastes	Tonnes	1,260	0.02 tonnes/per vehicle produced
Wood	Tonnes	56.16	0.79x10 ⁻³ tonnes/per vehicle produced

Hazardous wastes	Tonnes	361.84	0.53x10 ⁻² tonnes/per vehicle produced
Emissions of air pollutants			
Nitrogen oxides （NOx）	Tonnes	32.56	4.58 x 10 ⁻⁴ tonnes/per vehicle produced
Sulfur dioxide （SO ₂ ）	Tonnes	9.58	1.36 x 10 ⁻⁴ tonnes/ vehicle produced
Particles （PM）	Tonnes	9.20	1.30 x 10 ⁻⁴ tonnes/ vehicle produced
GHG emissions			
Scope 1 — Direct Emissions			
Use of boilers and vehicles ⁶	Tonnes CO2 ^e	13,251.87	0.19 tonnes / vehicle produced
Scope 2 — Indirect Emissions			
Purchased electricity ⁷	Tonnes CO2 ^e	25,167.05	0.35 tonnes/ vehicle produced
Employment	Unit	Quantity	
Number of employees	Persons	2,195	
Personnel training	Unit	Quantity	
Personnel training			
Number of employees who received training	Persons	922	

⁶ Calculations of GHG emissions and relevant emission factors are made in accordance with “GHG Accounting Report Guide for Enterprises from 24 Key Sectors” (《24 個重點行業企業溫室氣體核算報告指南》) issued by National Development and Reform Commission of the People’s Republic of China.

⁷ Calculations of GHG emissions and relevant emission factors are made in accordance with “2011 and 2012 Average Carbon Dioxide Emission Factors for Regional Power Grids in China” (《2011 年和 2012 年中國區域電網平均二氧化碳排放因子》) issued by National Development and Reform Commission of the People’s Republic of China.

6. HKEx ESG Reporting Guide Index

General Disclosures and KPIs	Description	Relevant Chapter(s) or Explanation	Page
Environmental			
Aspect A1: Emissions			
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 waste air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	2.1	P.7 - 9
KPI A1.1	The types of emissions and respective emissions data	2.1.1 & 5	P. 7, 8, 21 & 22
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1.2 & 5	P. 8 & 22
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1.3 & 5	P. 8, 9 & 21
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	2.1.4 & 5	P. 9 & 21
KPI A1.5	Description of measures to mitigate emissions and results achieved.	2.1.1 – 2.1.3	P.7 - 9
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	2.1.4	P. 9
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	2.2	P. 9 - 12
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	2.2.1 & 5	P. 9 - 11 & 21
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	2.2.2 & 5	P. 11 & 21
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	2.2.1 & 2.2.2	P. 9 - 11
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	2.2.2	P. 11
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	2.2.3	P. 11
Aspect A3: Environment and Natural Resources			

General Disclosures and KPIs	Description	Relevant Chapter(s) or Explanation	Page
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	2.3	P. 12
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	2.3.1	P. 12
Social			
Employment and Labour Practices			
Aspect B1: Employment			
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.	3.1	P. 13
Aspect B2: Health and Safety			
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.	3.2	P. 14 - 16
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	3.2	P. 14 - 16
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	3.3	P. 16
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	3.3	P. 16
Aspect B4: Labour Standards			
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 preventing child and forced labour.	3.1	P. 13
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	3.1	P. 13
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	4.4	P. 19 & 20
Aspect B6: Product Responsibility			

General Disclosures and KPIs	Description	Relevant Chapter(s) or Explanation	Page
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 health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.1	P 18 & 19
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.1	P. 18 & 19
KPI B6.4	Description of quality assurance process and recall procedures.	4.1	P. 18 & 19
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	4.3	P. 19
Aspect B7: Anti-corruption			
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 bribery, extortion, fraud and money laundering.	4.5	P. 20
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	4.5	P. 20
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	4.5	P. 20
Community			
Aspect 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.	4.6	P. 20

7. Feedback Form

Thank you for reading the Qingling Motors Co., Ltd 2017 ESG Report. In order to provide more valuable information to the Group's stakeholders and improve its ability and level of fulfilling social responsibilities, we would welcome any feedback or suggestions you might have about this report.

You can send this form to any of the following:

E-mail address: hk1122@qingling.com.cn

Mailing address: No.1 Xiexingcun, Zhongliangshan Jiulongpo District, Chongqing, China

1. How would you rate your opinion of the Qingling 2017 ESG Report?

☐ Very High ☐ High ☐ Neutral ☐ Low ☐ Very Low

2. How would you rate your opinion of the economic, social and environmental responsibilities of Qingling?

Economic responsibility	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low
Social responsibility	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low
Environmental responsibility	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low

3. Please rate the effectiveness of this Report in reflecting the economic, social and environmental impact Qingling has brought about through its social responsibility practices?

☐ Excellent ☐ Good ☐ Fair ☐ Poor ☐ Terrible

4. How would you rate your opinion of the clarity, accuracy and completeness of the information, data and indicators this Report has disclosed?

Clarity	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low
Accuracy	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low
Completeness	<input type="checkbox"/> Very High	<input type="checkbox"/> High	<input type="checkbox"/> Neutral	<input type="checkbox"/> Low	<input type="checkbox"/> Very Low

5. Do you find this Report in easy-to-read contents and formatting?

☐ Yes ☐ Neutral ☐ No

6. Feel free to share any comments or suggestions you may have on Qingling and this report:

Thank you very much for your gracious gesture and valuable time!