



# 浙江世寶股份有限公司

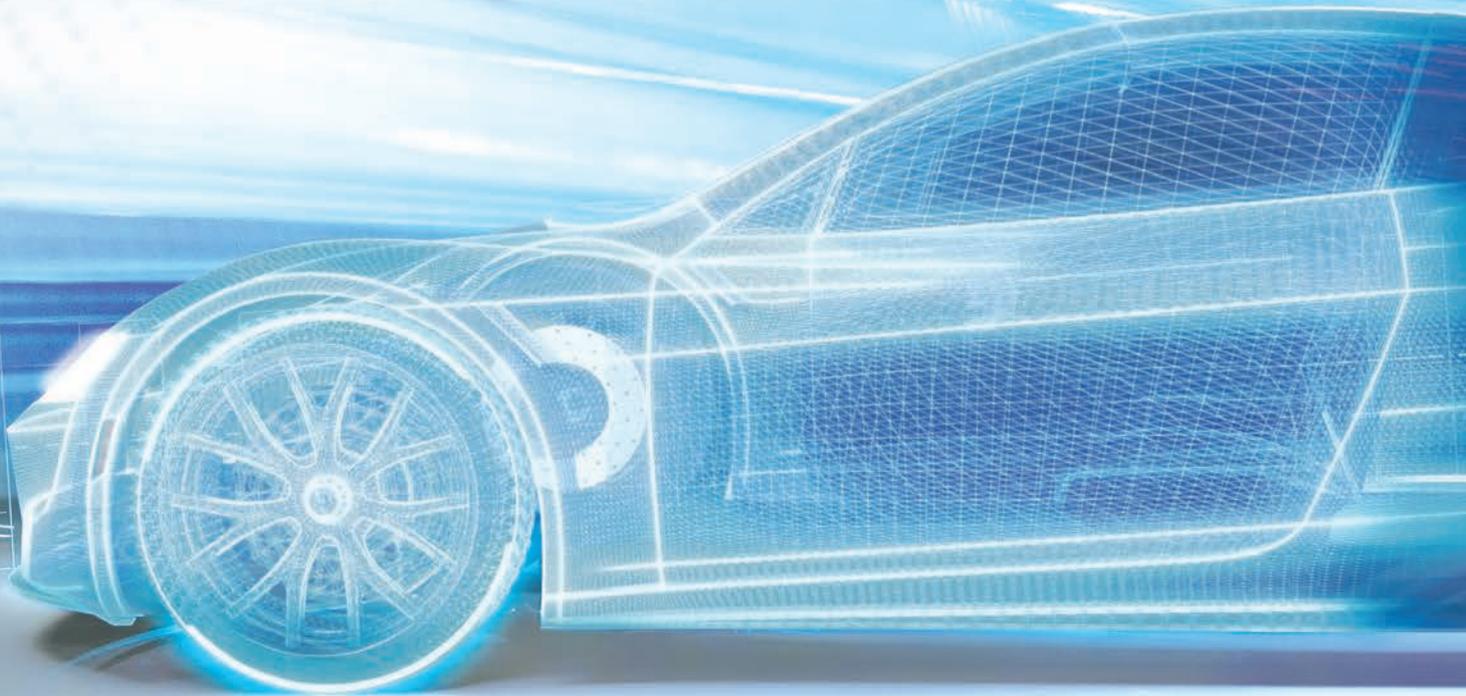
ZHEJIANG SHIBAO COMPANY LIMITED\*

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 1057

## **STEERING** *the Future*

2022 Environmental, Social and  
Governance Report



# 2022 Environmental, Social and Governance Report

*(English translation for reference only)*

## ABOUT THE REPORT

This is the Environmental, Social and Governance Report (the “Report”) of Zhejiang Shibao Company Limited (the “Company” or “we”) and its subsidiaries (collectively referred to as the “Group”). The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange” or “HKEx”), for the purpose of explaining and reporting to the Group’s investors and stakeholders the disclosure of comprehensive implementation of various work on the sustainable development principles and the relevant material impacts on environmental, social and governance (“ESG”), the risk management adopted and effectiveness of internal control system for the year from 1 January to 31 December 2022 (the “Year”). It is advised that investors and stakeholders shall read this Report together with the “Corporate Governance Report” set out on pages 34 to 44 of the 2022 Annual Report of the Group.

The Group is mainly engaged in the automotive components manufacturing industry. The main business activities are the research and development, production and sales of automotive steering system and components. The business scope of the Company includes manufacture and sales of automotive components, sales of metal materials, electromechanical products and electronic products. Hangzhou Shibao Auto Steering Gear Co., Ltd. (“Hangzhou Shibao”), Hangzhou New Shibao Electric Power Steering Co., Ltd. (“Hangzhou New Shibao”) and Jilin Shibao Machinery Manufacturing Co., Ltd. (“Jilin Shibao”) are the principal operating subsidiaries of the Company in the People’s Republic of China (the “PRC”), and over 85% of the Group’s income was derived from these three subsidiaries in both 2021 and 2022. As such, this Report mainly covers Hangzhou Shibao, Hangzhou New Shibao and Jilin Shibao.

This Report has been prepared in compliance with the Guide and made all relevant disclosures for the year ended 31 December 2022.

## COMPANY OVERVIEW

The Company is a joint stock limited company registered in the PRC. The Company’s H Shares were listed on the Growth Enterprise Market of the Hong Kong Stock Exchange on 16 May 2006 and were transfer listed on the Main Board of the Hong Kong Stock Exchange on 9 March 2011, and its stock code is 1057. The Company’s A Shares were listed on Shenzhen Stock Exchange on 2 November 2012, and its stock code is 002703.

The Company is committed to enhancing the safety and comfortability of driving and providing world leading automakers with safe, intelligent, energy-saving, light-weight automotive steering system. The Company strives to raise the research and development and production capability of steering system and key components for each series of automobile model to international standard. Meanwhile, the Company is tapping into key automotive components in relation to integration modulation of steering system. Its strategic goal is to provide intelligent driving solutions and products to global leading automotive groups.

The Group is mainly engaged in the research and development, manufacturing and sales of automotive steering gear and other steering system key components. We have five production sites in Hangzhou, Yiwu, Siping and Wuhu as well as one research centre in Beijing. The Company is capable to provide all kinds of steering products for commercial cars, passenger cars and new energy cars. The Company has accumulated over 30 years of experience in OEM supply in automobile industry with diverse customer resources worldwide, enabling the Company to become a Tier-1 OEM supplier among the automakers with good reputation.

The Company is one of the enterprises to self-develop initially the automotive hydraulic steering system and automotive electric power steering system. The Company’s research and development is for intelligent vehicle. The intelligent steering system of unmanned automobiles is in the promotion stage.

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## ENVIRONMENTAL POLICIES AND PERFORMANCE

In our manufacturing activities, the Group consumes water, timber and other natural resources, and discharges waste water, waste gas, waste dregs and other pollutants which affect and damage the surrounding ecological environment. The Group considers the importance of the environmental protection and is endeavouring to protect the ecological environment and reduces the consumption of the natural resources. We pursue a maximum green profit and take up the social responsibility.

The Company discharged its responsibility in environmental protection through technical and performance upgrade of its products, production process optimisation, and enhancement in management standard. In order to minimise the impact on the environment caused by our operations, we formulated the following principles for each of the department of the Group to follow:

- Due consideration on consumption of water, power, raw materials and other natural resources had been given by the Company during the whole production process in various aspects including process design, equipment procurement, facilities construction and field management etc., so that the consumption of non-recyclable and non-renewable resources could be minimised.
- The Company invested in the construction of environmental protection facilities in order to meet the requirements of the local environmental protection authorities on the treatments in waste water, waste gas and waste materials.
- The Company established Internal Control Department, Quality Management Department, and Internal Audit Department. By virtue of the integrated inter-departmental risk management system, the Company actively conducted risk assessment on business modules of sales, research and development, procurement, etc., and timely raised reasonable suggestions for preventing and coping with risks.

## GOVERNANCE STRUCTURE

To ensure the effectiveness of environmental, social and governance, and to further ensure the operating efficiency of the Company, the Group has formed a top-down management structure for environmental, social and governance. The structure consists of three levels: the Board of Directors (the “Board”), the ESG Committee (the “Committee”) and the ESG working group (the “Working Group”) of the Company, with clear and coordinated responsibilities specified for all these levels.

The Board attaches great importance to environmental, social and governance, and has a leadership role, which is mainly responsible for controlling the core work of environmental, social and governance. Its responsibilities include formulating and monitoring environmental, social and governance objectives and policies, establishing and monitoring notification procedures, controlling related risks and allocating resources, reviewing the effectiveness of policies, reviewing relevant policies and reports, and appointing leaders and members of the Committee and the Working Group to ensure effective environmental, social and governance management. The Board assumes full responsibility for the Group’s environmental, social and governance reporting. During the Year, the Board conducted a study and review on the Report every six months, and reviewed and approved the Report in written form.

In order to achieve the Group’s ESG and sustainability objectives and to optimise existing ESG strategies, the Board will approve and review internal and external ESG reports and closely monitor the performance of the Group’s daily management processes with reference to the views of external stakeholders. The Board will also attend online research-led curriculum to obtain information shared by experts on individual issues.

The Company established the Committee in 2021 and formulated rules of procedure, mainly responsible for controlling the accuracy of performance in terms of environmental, social and governance issues, and providing advice and assistance to the Board on matters related to the management of environmental, social and governance matters, including governance, policy, risk management, implementation, performance and reporting, and guiding the Working Group to carry out related tasks. The Committee consists of three members, namely Mr. Zhang Bao Yi (Chairman of the Committee), Mr. Zhang Shi Quan and Mr. Tang Hao Han. During the Year, the Committee briefed the Board on the reports prepared on a quarterly basis to track progress on each target and manage risks. In addition, the Committee submits its recommendations on the Report to the Board once a year in written form for discussion and consideration by the Board.

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The Working Group is coordinated by the working office, connecting various functional departments and subsidiaries. The Working Group is mainly responsible for controlling the daily work in respect of environmental, social and governance issues, data collection, preparation of reports, and reporting to the Committee. During the Year, the head of the Working Group made a briefing on the information prepared monthly for the Committee and the heads of departments to share the progress of the work, which conduced to make recommendations on specific policies and improve efficiency. Besides, the Working Group submitted information on the Report to the Committee once a year in written form for the Committee's analysis and collation and report to the Board.

Based on the regular quarterly environmental, social and governance inspections, the Working Group forms a timetable for improvement, enhancement or new promotion items based on the goals set by the Board, and reports to the Committee. The Committee provides advice and assistance in respect of the report, and urges relevant departments to act in line with the overall goals set by the Group in all aspects. The Board will also communicate with stakeholders on a regular and irregular basis to understand the issues that require attention, to formulate and promote work strategies, monitor and check the progress of work, and make revisions if necessary, so as to effectively achieve the goals of the Group. Environmental, social and governance issues are closely related to the Company's business, as they complement and are connected with each other. The Company fulfils its environmental protection responsibilities by improving the technical performance of its products, optimising production processes, and improving management standards, and adheres to the principle of green production and the unification of economic and environmental benefits, aiming to bring long-term benefits to the Group and creating value for stakeholders.

Sustainable development is one of the strategic objectives of the Group. We also strive to minimise waste, make good use of natural resources, protect the environment, prevent natural disasters, establish a good risk management system, invest in resources to employee cultivation and talent solicitation, develop communities, attract investors, improve product quality, gain market presence, build a good reputation and an established direction for sustainable development, lay a foundation for creating long-term value for shareholders and integrate the concept of sustainable development into our business and management. The Group will regularly review various policies and the Board believes that sound corporate governance is not only a prerequisite for managing the Group's interrelationship with the environment and society, but also a cornerstone for managing environmental and social risks and leading the Group's business to a higher level.

## **Principles of reporting**

The content of this Report is determined in accordance with a systematic set of procedures. The procedure includes: identifying, ranking and prioritising important stakeholders; identifying and prioritising environmental, social and governance issues based on relevant material issues; determining the environmental, social and governance boundaries of this Report, and collecting relevant materials and information to prepare this Report. These procedures are based on the following aspects:

### **Materiality:**

The Working Group is at the forefront of identifying factors of environmental, social and governance materiality. The Working Group finds out the factors that have a significant impact on the environment, social and governance through actual daily work, so as to coordinate the work, collect relevant information and submit reports to the Committee. The Committee reviews and analyses the reports, makes revisions and formulates follow-up recommendations, and reports to the Board. After the Board receives the reports, it will conduct review and evaluation, provide sufficient resources to deal with related matters, and monitor the progress and effectiveness.

In order to fully understand the expectations of stakeholders and shareholders, the Group conducts materiality assessment and identification of prioritisation procedures for stakeholders closely related to the Group's development based on business scope and nature of production and operation. Through regular and irregular diversified communication channels, and effective and long-term communication mechanism, the Group makes targeted responses to stakeholders and shareholders with practical actions. Based on the opinions of various parties, the Group selects the scope of disclosure based on the principles of materiality, relevance and applicability, and then conducts data collection and analysis to identify relevant major issues and ensure that these issues have been incorporated into the policies of the Group.

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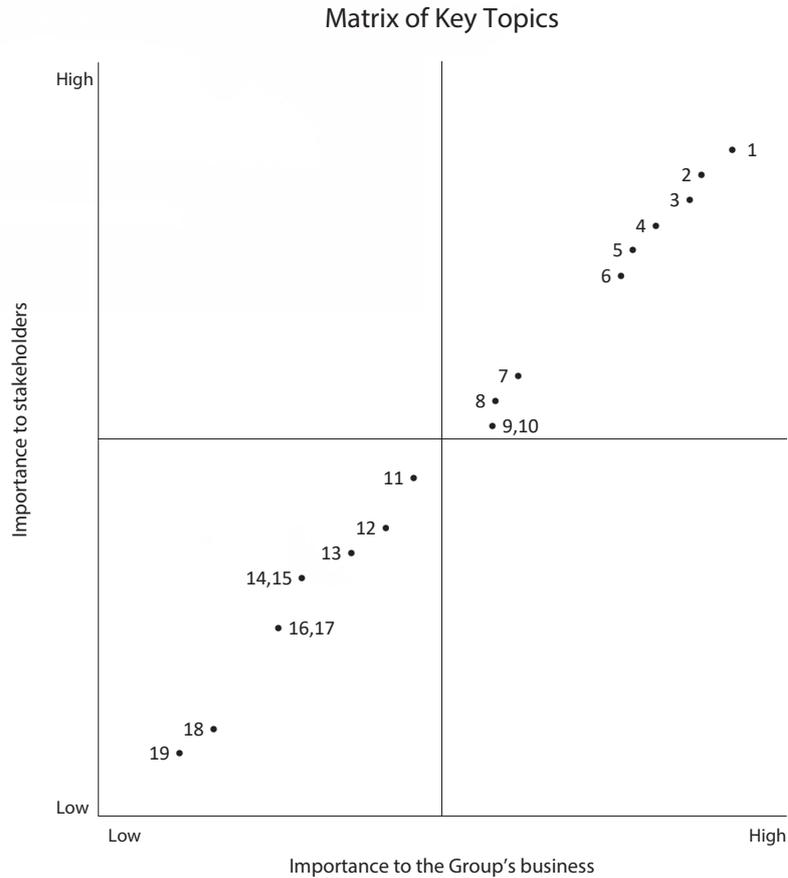
During the Year, the Group engaged stakeholders and shareholders in the process of implementing major decisions and other strategic adjustments, and listened to their views and expectations through formal or informal, online or offline channels, so as to enhance the effectiveness of the Group's management decision-making. The categories of stakeholders that are important to the Group's business operations, the issues of concern to stakeholders, the channels for communication with and methods of giving feedback to the Group, and the frequency of communication are listed in the table below:

| <b>Types of stakeholders</b> | <b>Key issues</b>   | <b>Communication channels and feedback methods</b>  | <b>Communication frequency</b>   |
|------------------------------|---|---|--|
| Shareholders                 | Results performance<br>ESG management<br>Compliant operation                      | General meeting<br>Results briefing<br>On-site survey<br>Roadshow and reverse roadshow<br>Multi-channel meeting   | Annual shareholders' general meeting<br>Extraordinary general meeting for major events or special circumstances<br>Unscheduled roadshow and reverse roadshow   |
| Investors                    | Corporate governance<br>Product safety and management<br>Green products           | Teleconference<br>Teleconference panel<br>Customer visit to the Company<br>Domestic and overseas investment conference<br>Roadshow and reverse roadshow | Company visited<br>One-to-one teleconference<br>Investment panel<br>Annual results briefing<br>Unscheduled roadshow and reverse roadshow   |
| Employees                    | Employee rights<br>Employee health and safety<br>Remuneration and benefits        | Staff training<br>Labor union and Party organization activities<br>Staff representative meeting<br>Solicitation of opinions and reasonable suggestions  | On-line and off-line staff training<br>Labor union activities<br>Party organization activities at least once a year<br>Staff representative meeting at least once a year<br>Employee satisfaction survey once a year |
| Suppliers                    | Supply chain management<br>Product safety and quality<br>Business performance     | On-site survey<br>Supplier appraisal<br>Communication on quality<br>Phone call/written communication<br>Open procurement and tendering                  | Unscheduled supplier meeting<br>Annually supplier appraisal<br>Supplier access assessment  |
| Customers and consumers      | Product safety and quality<br>Technology and innovation<br>Environmental products | On-line promotion and off-line promotion<br>Market survey<br>Customer satisfaction survey<br>Clients' complaint processing                              | To be conducted in light of actual conditions from time to time  |
| Governmental authorities     | Pollutant discharge management<br>Compliant operation<br>Integrity                | On-site survey<br>Communication and interview<br>On-the-spot sampling<br>Participation in analysis and formulation of policy, standard and planning     | To be conducted in light of actual conditions from time to time  |
| Community                    | Public welfare and charity<br>Contributions to community                          | Community public welfare activities<br>Communications with community<br>On-site survey  | To be conducted in light of actual conditions from time to time  |
| Media                        | Public welfare and charity<br>Consumer satisfaction                               | Press conference  | To be conducted in light of actual conditions from time to time  |

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After analysis, the Group understood the common importance and prioritisation of internal and external stakeholders to its business, which played clear guiding role in formulating the Group's strategies and goals, performing daily business and developing future visions. During the Year, the Group identified three levels, namely high, medium and low levels, and identified 19 major issues among the issues of concern to stakeholders. The Group's importance and prioritisation evaluation results were described based on the following materiality matrix:



| Environmental, Social and Governance  | Sustainability in Operations                    | Employee Care and Mutual Growth            |
|---------------------------------------|---|--|
| 7. Management of Three Types of Waste | 1. Safety and Quality of Products               | 5. Employee Occupational Health and Safety |
| 8. Energy Consumption Management      | 2. Compliance with the Law                      | 6. Employee Rights and Benefits            |
| 18. Water Management                  | 3. Technology and Innovation                    | 11. Employee Training and Development      |
| 19. Packaging Materials Management    | 4. Business Performance                         | 12. Employee's Feeling                     |
|                                       | 9. Incorruptibility and Integrity               | 13. Inclusive Working Environment          |
|                                       | 10. Customer Service and Satisfaction           |  |
|                                       | 14. Contribution for Public Welfare             |  |
|                                       | 15. Complaints and Recalls                      |  |
|                                       | 16. Supply Chain Management                     |  |
|                                       | 17. Intellectual Property Protection Management |  |

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## **Quantification:**

In the preparation of environmental and social key performance indicators (“KPIs”), reference has been made to the Guide, and the calculation is carried out through a systematic evaluation procedure of materiality, relevance and applicability as well as applicable parameters. References to the criteria, methodologies, assumptions and/or calculations used for historical KPIs and KPIs are appropriately explained, with comparative data provided where appropriate.

## **Balance:**

The Group integrates the Report in a fair, reasonable and impartial manner to provide shareholders, investors and stakeholders with comprehensive information, and to rationally, objectively and accurately evaluate the Group’s overall performance and result in environmental, social and governance.

## **Consistency:**

For the convenience of comparison, the reporting standards and guidelines, the method of data calculation, the structure of the Report, the description of the method adopted and the assumptions made in compiling the information are consistent with the historical data. Any changes will be accompanied by explanations to provide a complete reference for shareholders, investors and stakeholders.

## **Reporting scope**

The reporting scope of the Group is the same as the previous reports, which are selected based on the principles of materiality, quantification, balance and consistency, and are selected at three levels, namely the Board, the Committee and the Working Group. In line with the Guide, the Report covers the Group’s major operating subsidiaries in the PRC: Hangzhou Shibao, Hangzhou New Shibao and Jilin Shibao. Over 85% of the operating income for the year 2021 and 2022 were derived from these three subsidiaries.

## **A. ENVIRONMENTAL**

### Aspect A1. Emissions

In the Year, the Group has strictly complied with the rules and regulations of the national environmental protection, including the “Atmospheric Pollutant Integrated Emission Standard (GB16297-1996)”, “Waste Water Integrated Emission Standard (GB8978-1996)”, “Industry Enterprise Factory Environmental Noise Emission Standard (GB12348-2008)”. In addition, the Group developed an internal emissions management system and relevant policies, including the “Policy on Waste Water Discharge”, “Policy on Waste Gas Emission”, and “Policy on Hazardous and Non-hazardous Waste Discharge”, in an effort to make the treatment of the quantities of the emissions and waste dregs following the requirements of the national and local environmental protection authorities.

In 2022, Hangzhou Shibao and Hangzhou New Shibao have been complying the more harsh Hangzhou standard – the “Emission Standard of Volatile Organic Compound of the Key Industrial Enterprise” in respect of the standard of emission of atmosphere. The painting process was followed the “Emission Standard of Atmospheric Pollution of Industrial Painting Process (DB33/2146-2018)”. The position of heat treatment was followed the “Emission Standard of Atmospheric Pollution of Industrial Furnace (GB9078-1996)”. The waste water discharge was also followed the “Standard of Indirect Emission Limit of Industrial Enterprise Waste Water Nitrogen and Phosphorus Pollutants (DB33/887-2013)”.

The main emissions of the Group during the production process are waste water, waste gas and waste materials. The main sources of production waste water are fine processing and heat treatment. As the discharge of waste water did not have a significant impact on the environment, the Group has not set reduction targets accordingly. However, the Group has been closely monitoring and controlling the production process that may generate waste water.

In addition, the Group's greenhouse gas emissions mainly come from the production process, arising from the consumption of purchased electricity by production equipment. The amount of exhaust gas emitted by vehicles is not the main source of the Group's air pollutants. The amount of air emissions generated by the Group's operations did not have any significant impact on the environment and therefore no reduction targets have been set. However, the Group has been closely monitoring and controlling any air pollutants which may be generated during our production and transportation processes.

In our daily operations, each department and related workplace of the Group sets the various waste collection points or divides the waste collection points by different areas according to the type of waste produced by each department and related workplace. The different bins are labelled with the names of respective wastes for convenience, appropriateness and efficiency handling. Harmless and non-recyclable domestic waste and office waste are gathered by the city management department in a trash car for unified treatment on a daily basis. Waste paperboard and waste wooden board are collected by relevant companies engaged for recycling. As the discharge of non-hazardous waste did not have a significant impact on the environment, the Group has not set reduction targets accordingly.

In the area of handling the hazardous wastes, the Group focused on them by enhancing the standard of clean production and the delivery rate so as to reduce and eliminate the use and produce of hazardous wastes. The hazardous wastes will be recycled and reused or buried reasonably. The Group will build the waste points and reinforce the supervision, carry out the random checking and self-evaluation. Hazardous wastes mainly include waste tubes, waste batteries, waste ink cartridges, waste toner cartridges, waste emulsions, waste oil rags, waste chemical containers, waste paint residue, paint buckets, precipitated sludge, etc., which will be treated by qualified hazardous waste treatment units as designated by the environmental protection authority. Leakage and other emergencies arising from the treatment of hazardous wastes will be properly handled according to the "Procedures for Emergency Preparation and Response". Each subsidiary has organised the drill for the emergency of the relevant dangerous chemical leakage so as to ensure to keep calm to handle the emergency situation and to minimise the possible harm. All the measures have been implemented during the Year and the result achieved was satisfactory. As the discharge of hazardous wastes did not have a significant impact on the environment, the Group has not set reduction targets accordingly.

The Group has invested in the environmental protection construction projects and endeavours to meet the local government authorities' environmental protection requirement relating to the treatment of waste water, waste gas and waste material.

In recent year, the Group has introduced the Ding Talk System so the use of the paper for approval is reduced and the effect is remarkable. The lightings of the plants and offices have been changing to LED energy saved lightings so they can reduce the energy consumption effectively. The temperature of the internal air-conditioning is set at 26 degree Celsius in order to reduce the emission of greenhouse gas. In respect of the treatment of daily waste water, it reached the Group's requirement and achieved the passing standard in the environmental protection tests.

In the Year, the reduction of the emission of the Group has recorded significantly effect. Subsidiaries reached the emission standard in various environmental protection checking and testing. The Group has complied with various testing requirements.

Hangzhou Shibao, Hangzhou New Shibao and Jilin Shibao, subsidiaries of the Company, has obtained ISO14001 environmental management system certification.

The data of the relevant emissions is set out on page 16 of the "Company Performance and Data" of this Report.

## Aspect A2. Use of Resources

Since the launch of the "Regulations on Use of Energies and Resources Management", all the departments have actively responded to it, which regulates the procurement and consumption of all energies and resources, with an aim to make reasonable and effective use of energies and resources, reduce costs, and improve its environmental efficiency.

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In our manufacturing activities, the Group consumes water, electricity, raw materials for production (such as steel and blanks), auxiliary materials (such as cardboard, timber and other packaging materials), and other energies and resources. As such, the Group has duly considered the consumption of water, electricity, raw materials and other natural resources during the production processes in various aspects including process design, equipment procurement, facilities construction and field management etc., so that the consumption of non-recyclable and non-renewable resources could be minimised. As for energy-saving measures, the Group has installed various signages to promote energy saving in its factories and offices, and adopted low-energy production equipment and automatic induction lamps to reduce energy consumption. The Group has set targets for the efficiency of electricity use, and it is expected that the year-on-year change in electricity consumption will remain at the same level as the year-on-year change in the Group's operating income. In terms of raw materials for production, the Group is committed to the optimisation of product design and production processes, with a view to reducing the amount of raw materials used in the production of unit products through optimisation of structure and weight as well as reduction of losses in the production process. During the Year, the changes in electricity consumption of the Group were in line with the Group's expectation and, where foreseeable, will be within the Group's expectation. In terms of packaging materials used in products, the Group adopts recyclable and degradable packaging materials to avoid causing significant pollution to the environment. The Group has set targets for the use efficiency of packaging materials, and it is expected that the year-on-year change in the amount of consumption each year will remain at the same level as the year-on-year change in the Group's operating income. During the Year, the changes in the usage of packaging materials of the Group were in line with the Group's expectation and, where foreseeable, will be within the Group's expectation. In addition, the Group promotes the concept of paperless office and has introduced Ding Talk System, a multi-channel platform for enhancing communication and coordination within the offices, aiming to accelerate and informatizionalise the procedures in offices. It can increase the efficiency of staff and save the administrative costs for the Group.

In respect of resources recycling, recyclable components and parts from waste raw materials and inferior products will be reused on a collective basis; water will be in cyclic use; and food waste will be recycled and delivered to fattening farms for feeding purposes.

The Company has installed the water meters in each of the departments for monitoring the consumption of water situation. Basing on the monitoring information, we can work out the reasonable quantity of water consumption of each department. We will carry out the investigation and prevention for the unreasonable water consumption situation. Furthermore, we have installed the electromagnetic valves to the offices and the washrooms of the plants for water consumption control. The Company actively advocates the water conservation, such as prevention of leakage, timely maintenance, water pipes and tapes repairment. The Group has set targets for the use efficiency of water, and it is expected that the year-on-year change in the amount of water usage will remain at the same level as the year-on-year change in the Group's operating income. During the Year, all changes in the Group's water consumption were in line with the Group's expectation and, where foreseeable, will be within the Group's expectation.

The table below sets out the consumption of various energies and water by Hangzhou Shibao, Hangzhou New Shibao and Jinlin Shibao during the Year:

| Type           | Total Consumption           |                       |
|----------------|-----------------------------|-----------------------|
|                | 2022                        | 2021                  |
| Electricity    | <b>31,225,000 kWh</b>       | 50,629,500 kWh        |
| Steam          | <b>0 kj</b>                 | 8,300 kj              |
| Fuel (note 1)  | <b>5,092,133 kWh</b>        | 6,740,030 kWh         |
| Water (note 2) | <b>49,230 m<sup>3</sup></b> | 63,100 m <sup>3</sup> |

Notes:

1. The decrease in energy and water usage was mainly due to the decrease in the production of recirculation ball steering gear for commercial vehicles with high energy consumption during the production process.
2. In the Year, the water consumption arising from production was 49,230 m<sup>3</sup> (2021: 63,100 m<sup>3</sup>), recycled water consumption was 36,100 m<sup>3</sup> (2021: 1,152,400 m<sup>3</sup>), and waste water discharge was 40,590 m<sup>3</sup> (2021: 51,300 m<sup>3</sup>), respectively. The water consumed was mainly from the municipal water supply.

The data of the use of resources is set out on page 16 of the "Company Performance and Data" of this Report.

## Aspect A3. Environment and Natural Resources

The Group has been committed to protecting the environment and natural resources, and strictly abiding by all applicable laws and regulations, including the Environmental Protection Law of the PRC and the Cleaner Production Promotion Law of the PRC.

As a listed company in China's automotive component industry, the Company performs our environment responsibility by product and technological innovation and we have launched the EPS system products. The EPS system is powered by rechargeable batteries and, with dynamo as its power generating unit, is capable of operating separately from the automobile engine, and its fuel consumption drawn from the engine can be close to none. With its electronic mode of control, the EPS system almost does not cause any pollution problem to the environment and achieves further decrease in fuel consumption. It can also provide solutions to power steering for various new energy automobiles given its capability of operating separately from the automobile engine.

During the Year, the Company has adopted the plasma burning technology for handling the waste gas produced in the process of heat treatment. It reached the national specified value or lower than the national specified value in several testing and checking processes. The Company insists on the principle of unification of economic benefits and environmental benefits, and actively uses low-toxic, low-harmful, non-toxic and harmless raw materials in process design, and adopts energy-saving and low-noise equipment and new technologies that are less polluting and pollution-free to minimise the production of pollutants in the production processes.

The selected locations of the Group's plants are within the planned general industrial zones, and all the major construction projects have received the environmental impact assessment approval as required.

## Aspect A4. Climate Change

The Group is fully aware that global warming and climate change will have various uncertain impacts on our business, including policies and laws, technology, market and reputation. Extreme weather conditions may also incur additional legal, financial, tax, insurance, administrative and other expenses. The financial performance of the Group may be affected to varying degrees, depending on speed and changing focus, by factors such as energy supply, water resources, labour market, employee safety, supply chain, productivity, customer demand, transportation network due to climate change.

During the Year, the Group carried out the following corresponding natural disaster prevention and emergency response measures for the identified physical risks, including acute risks and chronic risks:

### *Acute risks*

#### Typhoon

During the Year, the Group established an emergency rescue team comprised of employees and security guards, prepared emergency rescue materials such as sandbags, shovels, industrial salt, and miniature fire stations, and carried out natural disaster emergency drills on a regular basis, thus effectively guaranteeing the normal operation of production and operation.

#### Flood

During the Year, the Group regularly inspected the emergency supplies for flood control, and regularly cleaned the sludge and sundries in the drainage ditches, drainage wells and rooftop gutters in the factory area to ensure that drainage pipelines would not be obstructed.

### *Chronic risks*

#### Rise in average temperature

As the frequency of heatstroke incidents would increase during the operation under high temperature, the Group has formulated measures for heatstroke prevention and cooling in response to high temperature weather, including adjustment of operation arrangements, control of operation time, and provision of heatstroke prevention and cooling items and medicines.

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Heavy rainfall

During the Year, the Group regularly inspected the emergency supplies for flood control, and regularly cleaned the sludge and sundries in the drainage ditches, drainage wells and gutters in the factory area to ensure that drainage pipelines would not be obstructed.

## **B SOCIAL**

### **Employment and Labour Practices**

#### Aspect B1. Employment

We were in strict compliance with the “Labour Law of the PRC”, the “Labour Contract Law of the PRC” and other laws and regulations relating to employees. We also purchased social insurance, including basic endowment insurance, unemployment insurance, maternity insurance, occupational injury insurance and basic medical insurance, for our employees in accordance with the “Regulations of the PRC on Occupational Injury Insurance”, the “Regulations of the PRC on Unemployment Insurance”, and the “Provisional Measures for Maternity Insurance for Enterprise’s Employees”. During the Year, we did not receive any complaints about the employment and the violation of the laws and regulations of employment.

The Company adopted the “people-oriented” philosophy in all the production and operation management systems. We created a harmonious working environment for the employees, respect multi-culture, refused any discrimination against race, religion, disability, gender or education background.

The Company developed the “Human Resources Management System” covering recruitment, employment, assessment, promotion and dismissal, and providing equal opportunities to the employees. It is responsible for regularly reviewing the employment benefit and welfare in order to ensure fully compliance with relevant regulations. In lines with the Group’s development, the Group aims at attracting talents, setting up a high-quality workforce, and establishing the employee remuneration and assessment system. It provided substantial salary and benefits for employees according to market practices, and offered retirement benefits according to the relevant regulations of China.

The Group has formulated the “New Employee Recruitment Process”. The relevant department conducts interview to the appropriate job applicants. After passing the interviews, the job applicants are required to have medical check-up in the specified hospitals. Then, they can report duty and receive the induction programme. The staff can apply for resignation according to the “Staff Resignation Process”. With the department-in-charge’s approval, the staff carry out the job hand-over procedures and the labour contract will be released. All the staff retired according to the statutory retiring age. The Group may re-recruit the retired staff depending on the development needs.

In addition, the Group encourages the staff to be more aggressive, enhancing the personal quality and ability continuously, improving the working efficiency, and providing good opportunity of promotion and self-development platform and spaces to the staff according to the “Company Staff Promotion Management System”. It is a fair and open competitive system for building up a learning enterprise. Generally, all the staff are promoted step-by-step. For the outstanding staff, the Company will make an exceptional promotion. All the department-in-charges are responsible for the providing of promotion programmes, the integrated management department is responsible for the ultimate promotion result and seek the approval from the general manager. According to the enterprise strategy and the human resources’ planning, the integrated management department is responsible for the unified regular and irregular promotion programmes for once a year principally. Some of the special job positions, such as fault investigators, forklift drivers, internal quality system auditors, are required to obtain the qualified certifications issued by the third party organisations before taking the job positions.

The average weekly working hours of the staff of the Group are 48. The staff can enjoy the casual leave, sick leave, marriage leave, funeral leave, maternity leave and work-related sick leave, etc and the meal allowances, travel allowances, labour insurance and the retirement protection. The Company’s other employee benefits included distributing birthday benefits to employees whose birthday is in the current month; sending greeting to female employees on Women’s Day on 8 March and distributing festival benefits on traditional Chinese festivals. We also held regular activities for employees, such as basketball match, sports day and organising them to participate in community activities.

The data of the employment is set out on page 17 of the “Company Performance and Data” of this Report.

## Aspect B2. Health and Safety

Production management philosophy:

Anti-violation, potential hazards removal, safety assurance, and production improvement

The Group is in strict compliance with the “Production Safety Law of the PRC”, the “Law of PRC on Prevention and Control of Occupational Disease”, the “Regulations on Production Safety of Zhejiang Province”, the “Fire Regulations of Zhejiang Province” and other laws and regulations relating to production and safety. During the Year, there was no material accident or production safety accident or disaster within the Company.

On the basis of the working policy of “Safety First, Precaution Crucial”, the Company endeavoured to improve its occupational health and safety management level by means of systematic management and hardware facilities.

The Company continued to improve its occupational health and safety through the following management systems:

- Guidelines and specifications on production safety – The Company implemented the procedures for operation safety of all posts according to the “System for the Company’s Employees at All Posts”, and mainly organised external safety training for key posts and arranged all first-line operators to learn operation safety manual. The guidelines and specifications were well implemented in the production and operation.
- Raising safety awareness – The Company conducted safety management training and education, and three-tier safety education for new employees, put various safety warning signs at the sites, organised regular team meetings to investigate potential site risks, and its management department conducted an overall check on a monthly basis so as to enhance the staff awareness on the occupational safety.
- A delegated supervisory department for production safety – The Company set up an integrated management department as the supervisory department for production safety, to supervise employees in executing various procedures for operation safety according to the Company’s regulations. Under the leadership of the deputy general manager, the leader of the management department and safety managers took charge of specific implementation of site supervision and management mainly in the form of daily check and monthly general check and notices. The integrated management department was also responsible for organising routine trainings on safety awareness and behaviours, such as arranging employees to learn the “Production Safety Law of the PRC” and to learn how to use fire extinguishers, as well as organising fire drills.
- Emergency plans – The Group formulated emergency plans, such as the “Emergency Plan for Fire” and “Emergency Plan for Chemicals”, to cope with fire, chemicals accidents, emergent environment issues, power and water failure, etc.

The Company reduced the employees’ contact with occupational hazard factors and enhanced the employee’s protection by using hardware facilities for ventilation, dust removal and noise reduction for workshops, regularly distributing labour protection products (such as goggles and earplugs) to employees, and providing them with occupational disease check each year.

In December 2014, the Company passed the certification of the “Level Three Enterprise for Standardisation of Production Safety”. In addition, Hangzhou New Shibao, a subsidiary of the Company, has obtained the certification of OHSAS 18001 occupational health safety management system. Jinlin Shibao also obtained the certification of ISO45001 management system.

The data of the health and safety is set out on page 18 of the “Company Performance and Data” of this Report.

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## Aspect B3. Development and Training

The Company has formulated the “Talent Reserve and Training Programme” and is responsible by the Human Resources Department for making the employee training plans, providing job skills training (such as on working principle of steering gears) for general employees, and comprehensive training for new employees, and management training (such as on leadership and strategy) for senior management members. The in-house trainings mainly focus on the need of each department to provide the professional training programmes. The Group provides the first, in-process and final inspection, measuring knowledge, supplier management courses for the quality control department. Also, the Group provides safety production, quality and quantity control and on-site management courses to the staff of the production department. The in-house trainings account for approximately 85% of the total training hours. Meanwhile, we invite external experts and professors at the expenses of the Company to give trainings according to needs, and provide expatriate training opportunities for employees. The external trainings are mainly in the aspects of human resource management, finance, sales and market exploration, logistics, design, etc. The Company also carries out team building and quality development training activities every year to build up team spirit and intensify the employee cohesion.

The Company insists on the principle of “with internal cultivation as the core and supplemented by external introduction” for talent reserve and echelon cultivation, established and improved our talent cultivation mechanism, sought and cultivated talent reserves through developing an effective plan for selection of candidates for key posts and talent reserves to set up a talent team, thereby providing human resource support to the sustainable development of the Company.

The data of the development and training is set out on page 18 of the “Company Performance and Data” of this Report.

## Aspect B4. Labour Standards

The Group strictly complies with the order of the State Council No. 364 of the “Regulations on Prohibiting the Child Labour” and formulates the “Employment Standards and Retirement System” specifying the minimum age of employees so as to avoid the employment of child labour.

During the process of recruitment, the human resources department will carry out identification procedures on the applicant's identity card, including authenticity, term, whether the applicant is the holder of the identity card holder, and whether it conforms to the actual age. An applicant will be rejected if it is found that his/her personal information is inconsistent with the information on the identity card. The Group will also require applicants to provide relevant certification materials such as graduation certificates. Applicants must confirm on the application form that the information provided by themselves meets the requirements. In case of illegally providing information or providing false information, the Group will terminate the labour contract in accordance with the requirements of the Labour Contract Law of the PRC. For some key positions, the Company conducts necessary background checks with the consent of the applicants before acceptance. If the result of background checks does not match the information contained in the resumes, the Company will not accept the applicant. The Group also maintains social security and provides labour security for the newly employed personnel in accordance with the law, and thus uses this method to screen candidates who do not meet the requirements for recruitment. The selection process of the Group's recruitment procedures is very rigorous, so there has never been a violation of the wrongful employment of child labour and forced labour. Once an employment of child labour is identified, the Group will handle it in accordance with the relevant legal procedures.

In addition, the Group also strictly follows the “Criminal Law of the PRC” to ensure no forced labour. In order to protect the personal freedom of employees and ensure all employees are employed on a voluntary basis, the Group has formulated the “Procedures on Prohibiting Forced Labour”, pursuant to which if an employee feels forced to work, he/she can report such matter to the head of the department or employee representative or put it in the “Opinion Box” in written form, and the integrated management department will investigate and handle it. Upon verification of the matter, an employee representatives' meeting may be convened, and solutions and notifications may be made at the meeting.

## Aspect B5. Supply Chain Management

Adhering to the policy of “Developing the Market with Quality”, the Company has carried out the certification of IATF:16949 quality system, and developed an overall quality assurance system in respect of quality design at preliminary product research and development stage, review of potential suppliers, quality evaluation and management of suppliers, quality review of production preparation engineering, quality control in production process, quality management of all employees, field quality management, quick response mechanism for after-sale services, after-sale product quality analysis engineering, etc.

Product quality is the lifeline of the Company, for which the quality of suppliers plays a critical role. The supply of materials and products to the Group is subject to relevant industry standards and ethical corporate norms, as well as environmental, health and safety requirements. Through continuous innovation and practice, the Company has established a unique supplier management system, achieved the three-level supplier access certification mechanism and the whole procurement process management, implemented the on-site review of suppliers, and checked the plants of new and existing suppliers at least four and two times a year, respectively, to jointly accomplish the conformance control over product quality. We required our suppliers to obtain IATF:16949 certification. Furthermore, we also required them to enhance the response speed continuously during the design and research and development phase, and continually improve the quality of their products. The Company requests the suppliers to provide the certification according to the “Procedures of Prohibition of Forced Labour”.

The Company has set up a procurement department, which specialises in purchasing raw materials and equipment for the Company’s production to ensure normal production and operation of the Company, control costs and supervise the quality of suppliers. At present, the Company has established a sound supplier access and management system, and included multiple alternative suppliers of major raw materials to optimise the supplier system. In the future, the Company will continue to improve its supplier management system, broaden its procurement channel, and continue to select and attract quality suppliers, to enhance the stability and security of the Company’s supply chain and reduce overall procurement costs.

During the selection of suppliers, the Group requires suppliers to provide environmentally friendly products and services to ensure that there will be no serious impact on the environment. The Group reviews the “Environmental Management System Certification” based on the supplier’s qualifications to ensure that the supplier meets the requirements of national, local and industry laws and regulations on environmental protection, occupational health and safety. The Group also has the right to carry out safety supervision on suppliers, and will, in accordance with the relevant system regulations and requirements of the country as well as that of the suppliers, pay compensation for breach of contract in respect of the disciplinary violations on the part of suppliers. In the event a supplier violates the relevant laws and regulations on safety and environmental protection and the relevant safety production and environmental protection regulations and systems of the Group, the supplier shall make rectification according to the requirements of the Group and accept the compensation for breach of contract related to the safety management system of the Group. The Group has the right to terminate the contract if the supplier fails or refuses to make rectifications, which may cause serious safety and environmental protection accidents. All economic losses and legal liabilities arising therefrom shall be borne by the supplier.

The data of the supply chain management is set out on page 18 of the “Company Performance and Data” of this Report.

## Aspect B6. Product Responsibility

Product quality commitments:

Technological innovation, continuous improvement, customer satisfaction, and pursuit of zero defects

The Company provided the quality warranty commitments and after-sale service parts for the products according to the requirements of customers and relevant national laws, regulations and standards. During the Year, the Group was mainly required to follow the “Labour Law of the PRC”, the “Production Safety Law of the PRC”, the “Environmental Protection Law of the PRC”, the “Contract Law of the PRC”, etc.

The Company fulfilled its product quality commitments mainly through the following systems and procedures:

- The Company’s product quality was mainly monitored by the “Management Procedures for Product Inspection”, the “System for First, In-process and Final Inspection”, the “Control Procedures for Unqualified Products”, the “Management System for Appraisal/Disposal of Unqualified Products”, the “Services Control Procedures”, the “Control Procedures for Monitoring and Measuring Equipment”, the “Product Monitoring and Measurement”, the “Control Procedures for Product and Process Safety”, the processing and operation guidelines for each procedure of each product as well as relevant inspection regulations, to ensure production process of products and quality monitoring and measurement process were guaranteed, and to prevent the manufacture and outflow of unqualified products.

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- In the Year, the Company sorted out quality issues each month based on the monthly quality report, and convened quality meetings to cope with major issues: focusing on artwork improvement, equipment capability enhancement, on-site management enhancement, etc, so as to reduce the loss in industrial wastes.
- The Company developed the “Control Procedures for Continuous Improvement”, for the improvement in product design and manufacture, process, service and quality; developed the “Management Measures for Old Parts in the Market”, for the disassembling analysis of old parts; and also developed the “Control Procedures for Labelling and Traceability”, for the tracing management of products.
- The Company developed the “Control Procedures for Customer Satisfaction”, for the collection of and statistics on customer’s satisfaction to our products and services, as well as timely monitoring of market dynamics; and developed the “Services Control Procedures”, for coping with and handling customer complaints and relevant matters. As our products and services are well received by our customers, the Company has been accredited as “Excellent Supplier” by many automakers for consecutive years.

In the case of the unqualification of the delivered products in the procedures of the management, the Quality Management Department will find out the batch number immediately. If such products are in storage, they will not be processed or repaired and prohibited from delivery. If such products are delivered, the Group will carry out the risk analysis and recalled the delivered products, if necessary. The Technical Department will look into the reasons, failure situation and quantity of the unqualification products used by the clients promptly. In addition, the Quality Management Department will strengthen the quality control, avoid the occurrence of the same problems. The Production Department will inform the relevant departments to stop production urgently or request to work overtime for repairment the storage and instruct the responsible departments to reinforce the control based on the requirement. The Sales Department will negotiate with the client to solve the problem and reached the agreement.

To maintain and protect customer privacy and intellectual property rights, the Company has developed the “Control Procedures for Project Development” and the “Control Procedures for Contracts, Agreements and Requirements”, to keep confidential of the customer information (including technical information) and other related information, as well as their products and technologies; and also developed the “Control Procedures for File Record”, to regulate the management requirements on internal information and external information, as well as customer data.

As the Group does not sell products directly to end customers, we need not promote our products and services by advertisement and labelling, which shall be conducted by our customers.

The data of the product responsibility is set out on page 18 of the “Company Performance and Data” of this Report.

## Aspect B7. Anti-corruption

The Group strictly abides by the Anti-Unfair Competition Law of the PRC, the Anti-Money Laundering Law of the PRC and the Anti-Money Laundering Regulations of Financial Institutions. In order to promote the sustainable and healthy development of the Company, the Group has revised the Regulations on Punishment of Employees Under the Code of Conduct, which clearly stipulates that the employees who violate disciplines shall correct their misconduct, and motivates and encourages employees to consciously observe the rules and regulations, while warning employees to make rectification and correction, and act in line with relevant rules and regulations.

In respect of anti-corruption, we absolutely adopt a zero tolerance approach to any bribery, extortion, fraud, money laundering and other improper behaviours made by our employees, suppliers, customers, and all business partners.

For the purpose of preventing corruption incidents, the Group not only establishes relevant system, but also attaches great importance to cultivating the morality of its employees. The Group is committed to promoting a corporate culture of integrity and integrity, creating an anti-fraud corporate culture and environment, and encouraging employees to abide by the law in the Company’s daily activities. The Group also publicises and informs all parties in the society about compliance with laws and regulations, so as to gain the recognition and respect of all parties. In addition, the Group conducts background checks on personnel who are going to be hired or promoted to important positions, to ensure that the Group’s personnel have the quality to act with integrity and ethics. In addition, the Group imposes certain requirements on the personnel of the audit department, who are required to consciously improve the anti-fraud awareness and relevant technical capabilities, and to actively participate in the training of knowledge and skills, to consolidate the prevention of corruption incidents.

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The Group has a dedicated reporting hotline and e-mail, and encourages employees to report suspected corruption directly to the Company's top management and members of the audit department as soon as possible. Employees can also report face-to-face orally, or send a report letter to the dedicated mailbox of the audit department. The Group accepts real-name and anonymous reports and will keep written records. The Group will review the key suspects. The Company's top management and members of the audit department report to the Company's management, the Board and the Audit Committee respectively according to the nature of the Report, and the relevant information will be kept confidential. When conducting relevant investigations, the audit department may, if necessary, engage external experts to participate in the investigation. If it is identified through the investigation that there is fraudulent act, the Group will refer that case to the relevant government authorities or judicial organs for handling according to law.

The Audit Committee is a permanent organisation within the Group and responsible for anti-fraud issues, receives, investigates, reports and puts forward suggestions on handling fraud reports, and is supervised by the Board and the Board of Supervisors. The general manager of the Company is responsible for establishing, improving and effectively implementing internal controls to prevent, detect and correct fraudulent behaviours. The heads of various functional departments of the Company and the general managers of subsidiaries are responsible for the management of the occurrence of fraudulent acts, are for continuous supervision of anti-fraud work, annual fraud risk assessment and self-assessment, and carry out anti-fraud prevention activities; accept relevant fraud reports and organise relevant investigations, issue reports, make recommendations and reports to the Company's management, Audit Committee, Board and Board of Supervisors.

Through anti-fraud policies and procedures and related measures, the Group conducts effective communication or training within the Company through various ways such as employee handbooks, publication of company rules and regulations, publicity or the internet, and conducted a special compliance training, to ensure that the Directors and employees receive training on relevant laws, regulations and professional ethics.

In the Year, there was no legal case regarding corrupt practices brought against the Group or its employees.

The data of the anti-corruption is set out on page 18 of the "Company Performance and Data" of this Report.

## Aspect B8. Community Investment

We recognise our role as a corporate citizen and are committed to public welfare undertaking and encouraging our employees to take an active part in various community activities (including voluntary activity, public welfare activities, sports and cultural activities).

The relevant community activities in 2022 were attended and organised by the staff and did not use the Company's resources and working time. Accordingly, the Company did not have any information in this aspect.

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## COMPANY PERFORMANCE AND DATA

The table below presents the Company's environmental performance data and social indicators during the Year:

### Environmental Performance Data

| Item                                      | HKEx Key performance indicator | Unit                                 | 2022              | 2021       | 2020       |
|---|--------------------------------|--------------------------------------|-------------------|------------|------------|
| <b>Greenhouse gas</b>                     | A1.2                           |                                      |                   |            |            |
| Direct emissions (Scope 1)                |                                | tCO <sub>2</sub> e                   | <b>1,317</b>      | 1,744      | 674        |
| Greenhouse gas reduction (Scope 1)        |                                | tCO <sub>2</sub> e                   | <b>1</b>          | 6          | 6          |
| Indirect emissions (Scope 2) (Note 1)     |                                | tCO <sub>2</sub> e                   | <b>25,124</b>     | 40,737     | 46,823     |
| Direct and indirect emissions (Scope 1&2) |                                |                                      |                   |            |            |
| - in total (Scope 1&2)                    |                                | tCO <sub>2</sub> e                   | <b>26,440</b>     | 42,474     | 47,491     |
| - in intensity (Scope 1&2)                |                                | tCO <sub>2</sub> e/RMB10,000 revenue | <b>0.1907</b>     | 0.3606     | 0.4309     |
| <b>Hazardous wastes</b>                   | A1.3                           |                                      |                   |            |            |
| - in total                                |                                | tonnes                               | <b>40</b>         | 43         | 49         |
| - in intensity                            |                                | tonnes/RMB10,000 revenue             | <b>0.0003</b>     | 0.0004     | 0.0004     |
| <b>Non-hazardous wastes</b>               | A1.4                           |                                      |                   |            |            |
| - in total                                |                                | tonnes                               | <b>1,234</b>      | 1,951      | 1,874      |
| - in intensity                            |                                | tonnes/RMB10,000 revenue             | <b>0.009</b>      | 0.017      | 0.017      |
| <b>Energy consumption</b>                 | A2.1                           |                                      |                   |            |            |
| Purchased electricity                     |                                | kWh                                  | <b>31,225,000</b> | 50,629,500 | 58,194,000 |
| Fuel consumption (Note 2)                 |                                | kWh                                  | <b>5,092,133</b>  | 6,740,030  | 2,889,245  |
| - in total                                |                                | kWh                                  | <b>36,317,133</b> | 57,369,530 | 61,083,245 |
| - in intensity                            |                                | kWh/RMB10,000 revenue                | <b>261.954</b>    | 487.043    | 554.230    |
| <b>Water consumption</b>                  | A2.2                           |                                      |                   |            |            |
| - in total                                |                                | m <sup>3</sup>                       | <b>49,230</b>     | 63,100     | 64,098     |
| - in intensity                            |                                | m <sup>3</sup> /RMB10,000 revenue    | <b>0.355</b>      | 0.536      | 0.582      |
| <b>Packing material</b>                   | A2.5                           |                                      |                   |            |            |
| - in total (Note 3)                       |                                | tonnes                               | <b>438</b>        | 470        | 554        |
| - in intensity                            |                                | tonnes/RMB10,000 revenue             | <b>0.003</b>      | 0.004      | 0.005      |

Notes:

1. With reference to the emission factors from Appendix 2: Reporting Guidance on Environmental KPIs issued by the Hong Kong Stock Exchange and 2012 Guidelines to Defra/DECC's GHG Conversion Factors for Company Reporting.
2. With reference to the conversion factors from the "Energy Statistics Manual" issued by the International Energy Agency and CDP Technical Note: Conversion of fuel data to MWh.
3. The packaging material includes the corrugated boxes for one-off use and the recycling boxes for repeating use.
4. In 2022, the Group's sales revenue was RMB1,386,400,000 (2021: RMB1,177,921,000).

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## Social Performance Data

| Item                              | HKEx Key performance indicator | 2022                 | 2021        | 2020          |
|-----------------------------------|--------------------------------|----------------------|-------------|---------------|
| <b>Employees</b>                  | B1.1                           |                      |             |               |
| Total workforce                   |                                | <b>1,323</b>         | 1,218       | 1,249         |
| By gender                         |                                |                      |             |               |
| Male                              |                                | <b>1,078</b>         | 1,021       | 1,077         |
| Female                            |                                | <b>245</b>           | 197         | 172           |
| By employment type                |                                |                      |             |               |
| Full-time workers                 |                                | <b>1,211</b>         | 1,149       | 1,219         |
| Part-time workers                 |                                | <b>0</b>             | 3           | 0             |
| Temporary/contracted workers      |                                | <b>112</b>           | 63          | 30            |
| Other                             |                                | <b>0</b>             | 3           | 0             |
| By employee category              |                                |                      |             |               |
| Senior management                 |                                | <b>19</b>            | 20          | 13            |
| Male                              |                                | <b>14 (73.7%)</b>    | 16 (80.0%)  | 10 (76.9%)    |
| Female                            |                                | <b>5 (26.3%)</b>     | 4 (20.0%)   | 3 (23.1%)     |
| Middle management                 |                                | <b>60</b>            | 76          | 96            |
| Male                              |                                | <b>51 (85.0%)</b>    | 63 (82.9%)  | 84 (87.5%)    |
| Female                            |                                | <b>9 (15.0%)</b>     | 13 (17.1%)  | 12 (12.5%)    |
| General and technical staff       |                                | <b>1,244</b>         | 1,122       | 1,140         |
| Male                              |                                | <b>1,013 (81.4%)</b> | 986 (87.9%) | 1,010 (88.6%) |
| Female                            |                                | <b>231 (18.6%)</b>   | 136 (12.1%) | 130 (11.4%)   |
| By age group                      |                                |                      |             |               |
| 30 and below                      |                                | <b>367</b>           | 350         | 359           |
| 31-40                             |                                | <b>511</b>           | 440         | 457           |
| 41-50                             |                                | <b>272</b>           | 297         | 280           |
| 51 and above                      |                                | <b>173</b>           | 131         | 153           |
| By geographical region            |                                |                      |             |               |
| Mainland China                    |                                | <b>1,323</b>         | 1,218       | 1,248         |
| Other                             |                                | <b>0</b>             | 0           | 1             |
| <b>Employee turnover rate (%)</b> | B1.2                           |                      |             |               |
| By gender                         |                                |                      |             |               |
| Male                              |                                | <b>525 (48.7%)</b>   | 167 (16.4%) | 286 (26.6%)   |
| Female                            |                                | <b>87 (35.5%)</b>    | 8 (4.1%)    | 34 (19.8%)    |
| By age group                      |                                |                      |             |               |
| 30 and below                      |                                | <b>270 (73.6%)</b>   | 118 (33.7%) | 168 (46.8%)   |
| 31-40                             |                                | <b>221 (43.2%)</b>   | 33 (7.5%)   | 94 (20.6%)    |
| 41-50                             |                                | <b>97 (35.7%)</b>    | 21 (7.1%)   | 42 (15.0%)    |
| 51 and above                      |                                | <b>24 (13.9%)</b>    | 3 (2.3%)    | 14 (9.2%)     |
| By geographical region            |                                |                      |             |               |
| Mainland China                    |                                | <b>612 (46.3%)</b>   | 165 (13.5%) | 318 (25.5%)   |
| Other                             |                                | <b>0 (0%)</b>        | 0 (0%)      | 0 (0%)        |

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| Item   | HKEx Key performance indicator | 2022                 | 2021        | 2020          |
|--|--------------------------------|----------------------|-------------|---------------|
| <b>Health and Safety</b>   |                                |                      |             |               |
| Number and rate of work-related fatalities                             | B2.1                           | <b>0 (0%)</b>        | 0 (0%)      | 0 (0%)        |
| Lost days due to work injury   | B2.2                           | <b>15</b>            | 60          | 41.5          |
| <b>Development and Training</b>  |                                |                      |             |               |
| The percentage of employees trained                                    | B3.1                           |                      |             |               |
| By gender  |                                |                      |             |               |
| Male   |                                | <b>1,074 (81.5%)</b> | 864 (84.5%) | 1,077 (86.2%) |
| Female   |                                | <b>243 (18.5%)</b>   | 159 (15.5%) | 172 (13.8%)   |
| By employee category   |                                |                      |             |               |
| Senior management  |                                | <b>13 (1.0%)</b>     | 20 (2.0%)   | 13 (1.0%)     |
| Middle management  |                                | <b>60 (4.6%)</b>     | 76 (7.4%)   | 96 (7.7%)     |
| General and technical staff  |                                | <b>1,244 (94.5%)</b> | 927 (90.6%) | 1,140 (91.3%) |
| The average training hours completed per employee by gender            | B3.2                           |                      |             |               |
| Male   |                                | <b>7.6</b>           | 6.2         | 16.4          |
| Female   |                                | <b>7.0</b>           | 6.4         | 12.2          |
| The average training hours completed per employee by employee category |                                |                      |             |               |
| Senior management  |                                | <b>11.9</b>          | 9.3         | 18.5          |
| Middle management  |                                | <b>10.0</b>          | 14.1        | 22.9          |
| General and technical staff  |                                | <b>7.4</b>           | 6.4         | 15.2          |
| <b>Number of suppliers by geographical region</b>                      | B5.1                           |                      |             |               |
| Mainland China   |                                | <b>327 (99.4%)</b>   | 391 (100%)  | 391 (100%)    |
| Other  |                                | <b>2 (0.6%)</b>      | 0 (0%)      | 0 (0%)        |
| <b>Number of suppliers where the practices are being implemented</b>   | B5.2                           | <b>227</b>           | 391         | 0             |
| <b>Product Responsibility</b>  |                                |                      |             |               |
| Number of products and service   |                                |                      |             |               |
| – recalls for safety and health reasons (%)                            | B6.1                           | <b>0% (0%)</b>       | 0 (0%)      | 0 (0%)        |
| – related complaints received  | B6.2                           | <b>32</b>            | 0           | 0             |
| <b>Anti-corruption</b>   |                                |                      |             |               |
| Number of concluded legal cases  | B7.1                           | <b>0</b>             | 0           | 0             |

## INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF HONG KONG STOCK EXCHANGE

### Key Performance Indicators (“KPI”) of Hong Kong Stock Exchange

| Aspect                                       | Disclosure  | Reference and explanation   |  |
|--|---|---|--|
| <b>Mandatory Disclosure Requirements</b>     | Governance Structure  | <p>A statement from the board containing the following elements:</p> <ul style="list-style-type: none"> <li>(i) a disclosure of the board’s oversight of ESG issues;</li> <li>(ii) the board’s ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer’s businesses); and</li> <li>(iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s businesses.</li> </ul>   | <p>Pages 2–3<br/>Pages 2–3<br/>Pages 2–3</p>         |
|  | Reporting Principles  | <p>A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:</p> <p>Materiality: The ESG report should disclose:</p> <ul style="list-style-type: none"> <li>(i) the process to identify and the criteria for the selection of material ESG factors;</li> <li>(ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer’s stakeholder engagement.</li> </ul> <p>Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p> <p>Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p> | <p>Pages 3–6<br/>Pages 3–5<br/>Page 6<br/>Page 6</p> |
|  | Reporting Boundary  | <p>A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.</p>  | Page 6   |
|  | <b>Comply or Explain</b>  |   |  |
| <b>A. Environmental Aspect A1: Emissions</b> | <p>General Disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> <p>relating air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p><i>Note: Air emissions include NO<sub>x</sub>, SO<sub>x</sub>, and other pollutants regulated under national laws and regulations.<br/>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.<br/>Hazardous wastes are those defined by national regulations.</i></p> | Page 6  |  |
| KPI A1.1                                     | The types of emissions and respective emissions data.   | Pages 6–7   |  |
| KPI A1.2                                     | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).  | Page 16 of Environmental Performance Data   |  |
| KPI A1.3                                     | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).  | Page 16 of Environmental Performance Data   |  |
| KPI A1.4                                     | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).  | Page 16 of Environmental Performance Data   |  |
| KPI A1.5                                     | Description of emissions target(s) set and steps taken to achieve them.   | Pages 6–7   |  |
| KPI A1.6                                     | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.  | Page 7  |  |

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| Aspect  | Disclosure   |   | Reference and explanation                 |
|---|--|---|---|
| <b>Aspect A2:<br/>Use of Resources</b>                  | General Disclosure   | Policies on efficient use of resources, including energy, water and other raw materials.<br><i>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</i>  | Page 7                                    |
|   | 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).  | Page 16 of Environmental Performance Data |
|   | KPI A2.2   | Water consumption in total and intensity (e.g. per unit of production volume, per facility).  | Page 16 of Environmental Performance Data |
|   | KPI A2.3   | Description of energy use efficiency target(s) set and steps taken to achieve them.   | Page 8                                    |
|   | KPI A2.4   | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.  | Page 8                                    |
| KPI A2.5  | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. | Page 16 of Environmental Performance Data   |   |
| <b>Aspect A3:<br/>Environment and Natural Resources</b> | General Disclosure   | Policies on minimising the issuer's significant impact on the environment and natural resources.  | Page 9                                    |
|   | KPI A3.1   | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.   | Page 9                                    |
| <b>Aspect A4:<br/>Climate Change</b>                    | General Disclosure   | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.  | Page 9                                    |
|   | KPI A4.1   | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.  | Pages 9-10                                |
| <b>B. Social</b>  |  |   |   |
| <b>Employment and Labour Practices</b>                  |  |   |   |
| <b>Aspect B1:<br/>Employment</b>                        | General Disclosure   | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare. | Page 10                                   |
|   | KPI B1.1   | Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.  | Page 17 of Social Performance Data        |
|   | KPI B1.2   | Employee turnover rate by gender, age group and geographical region.  | Page 17 of Social Performance Data        |
| <b>Aspect B2:<br/>Health and Safety</b>                 | General Disclosure   | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to provision of a safe working environment and protecting of employees from occupational hazards.  | Page 11                                   |
|   | KPI B2.1   | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.   | Page 18 of Social Performance Data        |
|   | KPI B2.2   | Lost days due to work injury.   | Page 18 of Social Performance Data        |
|   | KPI B2.3   | Description of occupational health and safety measures adopted, how they are implemented and monitored.   | Page 11                                   |
| <b>Aspect B3:<br/>Development and Training</b>          | General Disclosure   | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.<br><i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i>  | Page 12                                   |
|   | KPI B3.1   | The percentage of employees trained by gender and employee category (e.g. senior management, middle management).  | Page 18 of Social Performance Data        |
|   | KPI B3.2   | The average training hours completed per employee by gender and employee category.  | Page 18 of Social Performance Data        |

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| Aspect   | Disclosure         |   | Reference and explanation          |
|--|--------------------|---|------------------------------------|
| <b>Aspect B4:<br/>Labour Standards</b>                   | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Page 12                            |
|  | KPI B4.1           | Percentage of total products sold or shipped subject to recalls for safety and health reasons.  | Page 12                            |
|  | KPI B4.2           | Number of products and services related complaints received and how they are dealt with.  | Page 12                            |
| <b>Operating Practices</b>                               |                    |   |                                    |
| <b>Aspect B5:<br/>Supply Chain Management</b>            | General Disclosure | Policies on managing environmental and social risks of the supply chain.  | Page 13                            |
|  | KPI B5.1           | Number of suppliers by geographical region.   | Page 18 of Social Performance Data |
|  | KPI B5.2           | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.   | Page 18 of Social Performance Data |
|  | KPI B5.3           | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.  | Page 13                            |
| <b>Aspect B6:<br/>Product Responsibility</b>             | KPI B5.4           | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.   | Page 13                            |
|  | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Page 13                            |
|  | KPI B6.1           | Percentage of total products sold or shipped subject to recalls for safety and health reasons.  | Page 18 of Social Performance Data |
|  | KPI B6.2           | Number of products and services related complaints received and how they are dealt with.  | Page 18 of Social Performance Data |
|  | KPI B6.3           | Description of practices relating to observing and protecting intellectual property rights.   | Page 14                            |
| <b>Aspect B7:<br/>Anti-corruption</b>                    | KPI B6.4           | Description of quality assurance process and recall procedures.   | Page 14                            |
|  | KPI B6.5           | Description of consumer data protection and privacy policies, how they are implemented and monitored.   | Page 14                            |
|  | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.  | Page 14                            |
|  | KPI B7.1           | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Year and the outcomes of the cases.  | Page 18 of Social Performance Data |
|  | KPI B7.2           | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.  | Pages 14-15                        |
| <b>Community<br/>Aspect B8:<br/>Community Investment</b> | KPI B7.3           | Description of anti-corruption training provided to directors and staff.  | Page 15                            |
|  | 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.  | Page 15                            |
|  | KPI B8.1           | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).   | Page 15                            |
|  | KPI B8.2           | Resources contributed (e.g. money or time) to the focus area.   | Page 15                            |