



Zhejiang Shibao Company Limited*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock code: 1057)

2016 Environmental, Social and Governance Report

**For identification purposes only*

About the Report

This is the first Environmental, Social and Governance Report (the “Report”) of Zhejiang Shibao Company Limited (the “Company” or “Zhejiang Shibao” or “we”) and its subsidiaries (collectively referred to as the “Group”). This Report describes the Group’s comprehensive implementation of various work on the sustainable development principle and its performance in environmental, social and governance aspects for the year from 1 January 2016 to 31 December 2016 (the “Year”). For more information about the Group’s corporate governance, please refer to the “Corporate Governance Report” on pages 36 to 43 of the Company’s 2016 Annual Report.

Company Overview

Zhejiang Shibao lives up to its role of enhancing safety and comfortability for driving. The Company is committed to providing world leading automakers with safe, energy-saving, light-weighted, new energy automotive steering system. The Company is mainly engaged in the development, design, manufacture and sales of automotive steering gears and other key components and parts of steering system. The Company is also one of the early domestic enterprises having built the capacity of independent mechanical-electrical integration technologies and volume production of electric power steering (EPS) system. The Company’s strategic objective is to be an intelligent driving solution provider to world leading automakers.

Environmental Policies and Performance

The Company discharged its responsibility in environmental protection through technical and performance upgrade of its products, optimization of its production process, and enhancement in its management standard.

In order to reduce emissions from automobiles and consequently mitigate pollution problem to the atmosphere, the PRC government had promulgated a set of policies and regulations on reducing energy consumption by automobiles and encouraging development of new energy vehicles correspondingly. As a listed company operating in the automobile components industry in China, the Company had been fulfilling its responsibility in environmental protection through its pursuit of product technology innovation. Our recently launched electric power steering (EPS) system product, which 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. As it is capable of operating separately from the automobile engine, the EPS system provide a solution to the power steering for various types of new energy vehicles.

Moreover, 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 minimized. The Company had also invested in construction of environmental protection facilities in order to meet the requirements of local environmental protection authority on the treatments in wastewater, waste gas and solid wastes.

Scope of the Report

This Report covers the environmental, social and governance performance of the Company's main business – manufacture of automotive steering gears and other key components and parts of steering system.

Reporting Guide

This Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Environmental Protection

Emissions Control and Resources Utilization

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.

Hangzhou Shibao Auto Steering Gear Co., Ltd. (“Hangzhou Shibao”), a subsidiary of the Group, has passed the certification of ISO14001 environmental management system. The Group plans to gradually extend relevant certifications to other of its subsidiaries.

Main emissions of the Company generated during the production and operation processes are wastewater, waste gas and solid wastes. The Company formulated the emission management system, and invested in the construction of environmental protection facilities, in an effort to make the treatment of wastewater, waste gas and solid wastes comply with the requirements of local governmental environmental protection departments. In 2016, the Company's emission management satisfied the requirements of local governmental environmental protection departments in China.

During the production process, the Company also considered prudently the consumption of water, electricity, raw materials and other natural resources in terms of process design, equipment procurement, facilities construction and field management, so as to reduce the consumption of non-recyclable and non-renewable resources.

Employment and Labor Practices

People-oriented

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

The Company established the employee remuneration and assessment system in line with its operation and development needs. Meanwhile, the Company attached great importance to skills training and echelon cultivation of employees, so as to ensure the Company’s personnel reserves meet its development needs. The Company also established the flexible talent introduction and incentive policy to attract external excellent talents to join the Company.

The Company provided substantial salary and benefits for employees according to market practices, and offered retirement benefits according to relevant regulations of China.

Health and Safety

On the basis of the working policy of “Safety First, Precaution Crucial”, we endeavoured to improve the Company’s occupational health and safety management level by means of systematic management and hardware facilities. We provided employees with occupational health and safety training and consultancy, and reduced the employees’ contact with occupational hazard factors by using hardware facilities for ventilation, dust removal and noise reduction as well as labor protection products.

Hangzhou Shibao, a subsidiary of the Group, has passed the certification of OHSAS 18001 occupational health and safety management system. The Group plans to gradually extend relevant certifications to other of its subsidiaries.

Development and Training

The Company’s Human Resources Department is responsible for making the employee training plans, providing job skills training and comprehensive management training mainly in the form of in-house training, and meanwhile inviting external experts and professors to give trainings according to needs, and providing expatriate training opportunities for employees. The Company carried out team building activities every year to intensify the employee cohesion.

Operations Management

Product Quality

Product quality is the lifeline of the Company, for which the quality of suppliers plays a critical role. 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, and implemented the on-site review of suppliers, to jointly accomplish the conformance control over product quality. We required our suppliers enhance the response speed continuously during the design and research and development phase, and continually improve the quality of their products.

Product Liability

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.

Integrated Trans-department Risk Management System

The Company has established Internal Control Department, Quality Management Department, and Internal Audit Department. By virtue of the integrated trans-department 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.

Community Investment

We paid attention to community activities, and encouraged employees to participate in all kinds of volunteer services, welfare activities, and cultural and sports activities.