



**MINTH GROUP LIMITED**  
**敏實集團有限公司**

(Incorporated in the Cayman Islands with limited liability)

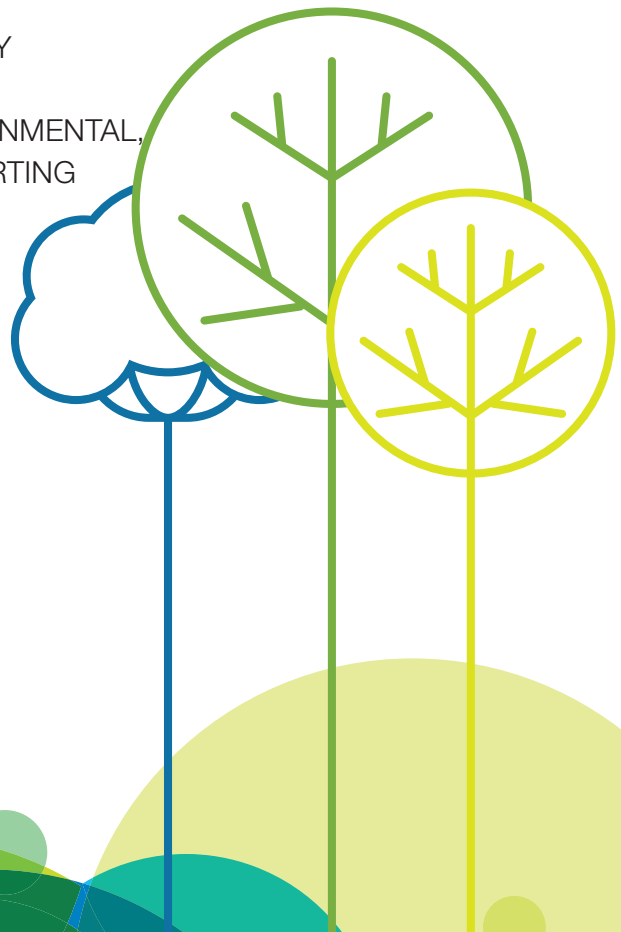
Stock Code: 425



Environmental, Social and  
Governance Report  
**2016**

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SOCIAL AND GOVERNANCE REPORTING  
GUIDE



# Group Profile

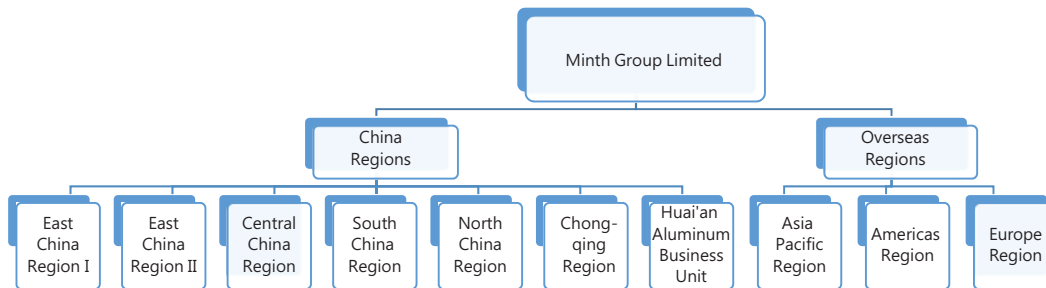
Minth Group Limited (the “Company”), together with its subsidiaries (collectively the “Group”) is primarily engaged in the design, manufacture and sales of trims, decorative parts, body structural parts, roof racks and other related auto parts. As the manufacturing techniques of the Group have gradually become sophisticated and the strategic layout has been improved step by step, the Group has built up manufacturing bases in major automobile markets all over the world, including China, the U.S., Mexico, Thailand and Germany. The Group has also set up research and development centers in China, Germany, North America and Japan to cater for the ever-growing demand of customers.

The Group adheres to the philosophy of “Intelligence Is Actional” and focuses on the innovation in product and technology. During the financial year ended 31 December 2016 (the “Review Year”), the Group became the first Chinese supplier in a century which had been awarded the “BMW Supplier Innovation Award” in quality for the aluminum trims with high stability and sheen effect, which integrated corrosion resistance into anodizing process. The Group will continue to improve its product design capability, strengthen its competitive advantages and develop closer cooperation with its customers.



Mr. Chin Jong Hwa (1st right), Honorary Chairman and non-executive Director, attended the award ceremony of “BMW Supplier Innovation Award 2016”

## Geographical Structure of the Group



**MISSION**

Make automobiles lighter, prettier and more intelligent

**TARGET**

To be the top 60 global auto parts supplier in 2021.



# About this Report

This report is the first Environmental, Social and Governance Report issued by the Group with an aim to disclose the activities and performance of the Group with respect to the sustainable development in a transparent and open manner to enhance stakeholders'<sup>1</sup> confidence and understanding of the Group.

## REPORTING YEAR

All information in this report represents the performance of the Group from January 2016 to December 2016 in the aspects of environmental management and social responsibilities. In the future, the Company will issue the Environmental, Social and Governance Report annually for the public to review at any time and continuously enhance the transparency of information disclosure.

## SCOPE OF THE REPORT

This report focuses on the Group's principal place of business in Nanhu District, Jiaxing City, Zhejiang province ("Principal Place of Business in Jiaxing") and the operation of Jiaxing Minhui Automotive Parts Co., Ltd.<sup>2</sup> ("Jiaxing Minhui"). The Group will expand the scope of disclosure to cover all its operating entities when the information collection system is more mature and the efforts in the environmental, social and governance aspects are further deepened. This report does not include the disclosure of key environmental performance indicators. The Group will carry out carbon assessment in 2017 and provide a more elaborate and standardized report.

## REPORTING STANDARD

This report is prepared pursuant to the Environmental, Social and Governance Reporting Guide (the "Guide") issued by the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The report concisely summarizes the environmental, social and governance performance of the Group. The information in this report was gathered from the official documents and statistics of the Group and the integrated information of supervision, management and operation provided by the subsidiaries of the Group in accordance with the relevant policy. A complete content index is available at the end of the report for readers' convenience to check efficiently. This report is prepared in both Chinese and English and has been uploaded to the Group's website at <http://www.minthgroup.com>. For any conflict or inconsistency, Chinese version shall prevail.

<sup>1</sup> "Stakeholders" refer to "stakeholders" or "interested parties", which are groups or individuals having significant influence on the business of the Group or are influenced by the business of the Group.

<sup>2</sup> Jiaxing Minhui Automotive Parts Co., Ltd., as a manufacturing base, was the Group's largest revenue contributor during the Review Year.

### Feedback

Our continuous improvement relies on the precious comments from you on the content and form of this report. Should you have any doubt or suggestion, please send your comments by email to [IR@minthgroup.com](mailto:IR@minthgroup.com), helping us continuously improve our environmental, social and governance performance.

# Stakeholders Engagement

In the Guide, the Stock Exchange has put forward four reporting principles including Materiality, Quantitative, Balance and Consistency as the basis of preparing the Environmental, Social and Governance Report. As stated by the Stock Exchange, the participation of stakeholders is a way to assess the materiality. Through communication with the stakeholders, a corporate can obtain various comments to identify material environmental and social issues.

For the Group, stakeholders refer to groups and individuals having significant influence on the Group's business or those being influenced by the Group's business. Besides the employees, the management and directors, the Group's stakeholders also include external parties such as clients, business partners, investors, regulatory institutions and various social organizations. During the Review Year, the Group communicated with key stakeholders through different approaches, such as the annual general meeting, global leadership conference, morning video conference for the Group's middle-and-senior-level management and the Turbo Program which enhances the cohesion and stress tolerance of the employees. During the preparation process of this report, the Group has specifically engaged a professional consulting company to conduct a substantive analysis by means of management interviews and integrated the opinions of the experts and consultants to clarify the material issues of reporting, formulating the benchmark for the Group's roadmap to sustainable development.

## Communication Approaches with Stakeholders during the Review Year

Internal Stakeholders	External Stakeholders	
Board of Directors	Shareholders	Government/regulatory institutions
The management	Investors	
Executives (white-collar)	Clients	Trade/industry association
General employees (factory workers)	Contractors	Banks
	Suppliers	Local community organization
	Academic institutions	Employees' family

Communication Approaches:

Shareholders' meetings, morning video conferences, global leadership conferences, Turbo Program, workshops, factory visits, mails, meetings, conference calls and video conferences, results briefing, comment boxes, charity events, public presentations and speeches, seminars, large-scale events, road shows, investment summits, suppliers' conference, exhibitions, internships, academic exchange conferences, practical projects, trips and social clubs



2016 annual results briefing



Opening ceremony of Minth Chunxiao production base on 18 July 2016

The business of the Group influences various stakeholders, who have different expectations of the Group. Looking forward, the Group will maintain and promote the communication with the stakeholders and collect their opinions extensively through various forms, optimizing the substantive analysis. Meanwhile, the Group will also adopt a more quantitative, balanced and consistent approach according to the reporting principles and present the content and information of the report in a way better meeting the expectation of the stakeholders.



## Message from the Management

“While pursuing maximum return to shareholders, the Group actively performed its corporate social responsibilities to promote the sustainable development of the Group.”

Minth has been in the automotive parts industry for 24 years. While pursuing maximum return to shareholders, the Group is willing to shoulder social responsibilities and take it as an indispensable element for the sustainable development of the Group. By enhancing the environmental performance of products and caring for different needs of the community, the Group is determined to integrate the philosophy of sustainable development into business decisions to become a leader in the global automotive parts industry.

We attach great importance to environmental protection. During the Review Year, the Group established the Environment, Health and Safety (“EHS”) Headquarters for the promotion of environmental protection, occupational health and production safety. Staying abreast of the trend of environmental protection in the automotive industry, we strive to manage the impact of our operation on the environment. The Group sets up an advanced system for waste water treatment and conducts real-time supervision. The Group has also established advanced systems for waste gas and sludge treatment, with an aim to minimize the impact of the production process on the environment.

Personal development of employees is the key to sustainable development of the Group. We provide talent development and training programs of different levels so as to continuously enhance the professional skills of employees, nurture and retain talents with international background and core techniques. In addition, the Group provides specialized vocational training for factory workers, so that employees can master operating techniques and ensure high-quality products.

Stringent management of the supply chain basically guarantees a robust operation of Minth. Through its procurement policy and internal audit, the Group ensures that high quality products and services are provided by the suppliers while a sustainable relationship with suppliers is established.

Looking forward to the year of 2017, Minth will strengthen communication with stakeholders, learn more about their expectations and comments and expand the scope and depth of disclosure. We will further promote the transparency of disclosure, so that various sectors of society can gain more in-depth understanding of the environmental management and social responsibility performance of the Group. At the same time we will continue to improve our management system of sustainable development.

**Shi Jian Hui**  
*Chairman*  
**Minth Group Limited**



# The Group and the Environment

## EMISSIONS

### Greenhouse Gases

Climate changes caused by human activities have brought unprecedented challenges to global economic development. In 2015, at the World Summit on Sustainable Development attended by all members of the United Nations in Paris, 17 sustainable development goals were approved, one of which is “take urgent action to combat climate change and its impacts”.

The Paris Agreement officially came into force in November 2016, aiming to limit the rise of global temperature to 2 degrees Celsius as compared with the period before industrialization and striving to further control the temperature increase within 1.5 degrees Celsius by the end of this century.

Reduction of greenhouse gas emissions is a vital mitigation measure coping with climate changes, while the assessment of carbon footprint has provided a basis for reduction of greenhouse gas emissions. At this moment no carbon footprint assessment has been conducted for the business of the Group; however, the Group has already included this in the major work plan of 2017 in order to comply with related requirements of the Law of the People’s Republic of China on Conserving Energy, stepping up the control on emissions of greenhouse gases.

### AIR POLLUTANTS

Apart from the emissions of greenhouse gases, the Group also pays attention to various kinds of waste gases produced during the operation of Jiaxing Minhui to comply with the Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution. Waste gases of Jiaxing Minhui mainly came from the surface treatment techniques, including the processes of chrome plating, aluminum anodizing, painting and polishing. The Group adopts treatment measures actively to minimize the impact of air pollutants on the surrounding area.



RTO waste gas treatment facilities



Wet scrubber

For the acid mist caused by the production line of chrome plating and aluminum anodizing, Jiaxing Minhui has been collecting the acid mist to neutralize it by spraying alkaline liquor and washing with water before it is discharged as early as the production line is designed. For volatile organic compound (“VOC”) generated during painting and coating processes, Jiaxing Minhui collects the emissions in the production line to burn it in high temperature in the regenerative thermal oxidizer (“RTO”) and discharges after the process of oxidation and degradation. Dust generated from polishing process is handled through wet scrubber, by which dust is deposited in a pre-set water tank and the air is discharged after dehumidification.

In 2016, Jiaxing Minhui invited an independent third-party testing company to test the acid mist, VOC and polishing dust discharged by Jiaxing Minhui. The test results (shown in the table below) indicate that the intensity of acid mist discharged from the anodizing vent is in compliance with the requirements of the Emission Standard of Pollutants for Electroplating GB 21900-2008; the intensity of VOC discharged by the vents of RTO waste gas treatment facilities and the intensity of total suspended particles from the dust generated from polishing process emitted around the plant are in compliance with the requirements of the Integrated Emission Standard of Air Pollutants GB 16297-1996.

<b>Source of Air Pollution, Pollution Factors and their Average Intensity of Discharge</b>				
<b>Source of pollutants</b>	<b>Pollution factors</b>	<b>Average intensity of discharge (mg/m<sup>3</sup>)</b>	<b>Standard for discharge intensity (mg/m<sup>3</sup>)</b>	<b>Standard compliance</b>
4 Chromium-free anodizing vents	Sulfuric acid mist	<5.10	30	Up to standard
	Anodizing vent	Chromic acid mist	<0.038	0.050
Vents of RTO waste gas treatment facilities	Xylene	0.347	70	Up to standard
	Ethyl acetate	0.241	No requirement	Up to standard
	Non-methane hydrocarbon	8.13	120	Up to standard
	Toluene	0.125	40	Up to standard
Vents of waste gases treatment facilities for painting of manual production line #1	Xylene	0.824	70	Up to standard
	Ethyl acetate	0.552	No requirement	Up to standard
	Non-methane hydrocarbon	2.91	120	Up to standard
	Toluene	1.25	40	Up to standard
Vents of waste gases treatment facilities for painting of manual production line #2	Xylene	0.185	70	Up to standard
	Ethyl acetate	0.309	No requirement	Up to standard
	Non-methane hydrocarbon	1.96	120	Up to standard
	Toluene	0.278	40	Up to standard
Around the plant	Total suspended particles	<0.371	1.0	Up to standard

In order to further lessen the impact of waste gases on the environment, Jiaxing Minhui is committed to reducing its total volume of emissions as well as attaching importance to standard compliance. During the Review Year, the total emission volume of major air pollutants is listed in the following table. Jiaxing Minhui will continue to step up management and control of waste gases emissions in a responsible manner.

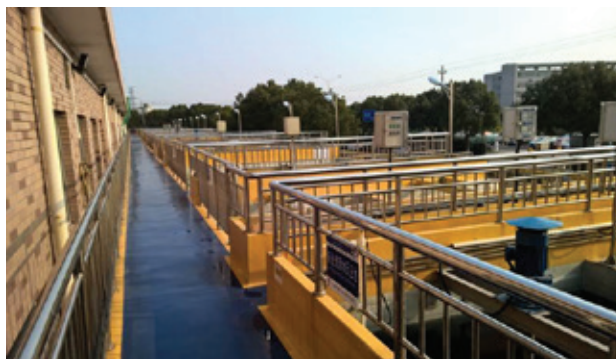
<b>Total Emission Volume of Major Waste Gases</b>			
Types of waste gases	Xylene	Chromic acid mist	Toluene
Volume of emissions (tons/year)	0.12996	0.012	0.29004



## The Group and the Environment

### WASTE WATER

Waste water generated during the operation of the Group can be divided into production waste water and domestic waste water. Production waste water primarily comes from chrome plating, coating and aluminum anodizing techniques of Jiaxing Minhui. The Group has established an advanced system of waste water treatment, and a specialized water treatment laboratory is also set up to conduct real-time sampling and testing. The waste water purified by treatment system can be discharged only if it passes the testing and is up to standard. Waste water below standard must be re-treated. At the same time, water treatment inspectors and production line supervisors will be obliged to analyze the reasons for excessive content and rectify the process accordingly. Domestic waste water is discharged to the waste water network of Jiaxing urban facilities for centralized processing once it is processed and up to standard in order to comply with the Law of the People's Republic of China on Prevention and Control of Water Pollution and ensure the water quality of the environment.



Waste water treatment station



Water treatment laboratory

During the Review Year, the total water consumption of the Principal Place of Business in Jiaxing and Jiaxing Minhui was 1,294,079 tons, of which 61,596 tons of waste water was reused for production lines, with a reuse rate of 4.76%. The Group plans to increase the water reuse rate in 2017 to further enhance the efficiency of water usage.

### SOLID WASTE

Adhering to the principles of “recycling, reduction, hazard-free”, the Group has implemented measures for the collection, disposal and comprehensive usage of solid waste so as to comply with the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution. During the Review Year, the Group disposed 2,800 tons of domestic waste, which was processed in the Jiaxing Thermal Power Plant. Hazardous waste such as chrome plating sludge, waste mineral oil, paint residue and waste packaging materials (plastic drums, iron drums) will be outsourced to treatment providers with operating permits for handling hazardous waste for disposal and utilization. The Group records the amount spent on processing hazardous waste in details every month. During the Review Year, a total of RMB5 million was spent on handling hazardous waste. During the Review Year, the types and weight of hazardous waste disposed by Jiaxing Minhui are illustrated in the following table.

Hazardous waste	Waste mineral oil	Chrome plating sludge	Paint residue	Waste packaging materials
Discharge amount (tons)	39	4,744	66	70

During the Review Year, owing to the operation of an effective supervision system, no non-compliance cases in relation to environmental protection were found in Jiaxing Minhui according to the records.

## USE OF RESOURCES

The Group values resources from the environment and understands that improving the efficiency of resource usage is the key measure in response to global climate change. Jiaxing Minhui involves production techniques of injection, chrome plating, coating, aluminum anodizing and machining. Resource consumption most closely relevant to Jiaxing Minhui is the usage of raw materials, electricity and water resources in the operation venues.

Certain amount of chemical raw materials is needed for manufacturing automotive parts. The raw material volume used by each technique of Jiaxing Minhui is illustrated in the following table. Jiaxing Minhui records and analyzes the usage of raw material, raising resources usage efficiency on the basis of concrete data.

Techniques	Techniques and the Use of Respective Raw Materials									
	Injection	Chrome plating		Coating		Curing agent	Aluminum anodizing		Sealing agent	Machining Aluminum
	ABS <sup>3</sup>	Copper sulfate	Nickel sulfate	Paint	Thinner		Sulfuric acid	Phosphoric acid		
Total weight of the raw material used (Unit: tons)	4,046	70	277	162	57	31	219	136	19	1,949

The Group strictly monitors the electricity usage of Jiaxing Minhui and the Principal Place of Business in Jiaxing. As for electricity usage on production, Jiaxing Minhui requires that facilities should be fully loaded once it is running for a more efficient usage of energy; the power of the facility should be turned off immediately when it is no longer in use to prevent idling. The Group also implements the “Green Office” program. Under the program, lighting equipment is replaced with new energy-saving models in a planned way and air-conditioning is set at optimal temperature to prevent energy waste.

The Group requires Jiaxing Minhui and the Principal Place of Business in Jiaxing to conserve water. As for water usage on production, Jiaxing Minhui follows the rules of “three simultaneous steps”, i.e. to simultaneously design, build and put into use the auxiliary water-saving facilities for its construction, reconstruction and expansion projects. Jiaxing Minhui properly keeps records for monthly and annual water usage as a useful reference for formulating an accurate indicator for future water usage. As for domestic water usage, regular water conservation promotion events are held to raise employees’ awareness to conserve water. In addition, specific inspection of the water facilities is arranged so as to prevent water leakage in various ways.

Besides, Jiaxing Minhui has put forward energy and water conservation projects, such as residual heat utilization of air compressor, installation of industrial variable-frequency fans, LED lighting for workshops, reuse of overflow water of the chrome plating lines, replacing tap water with river water, tap water leakage maintenance and reproducing tap water with recycled water during the process of water purification. During the Review Year, Jiaxing Minhui invested RMB3.73 million in implementing energy and water conservation projects, with cumulative savings up to RMB1.483 million.

## THE ENVIRONMENT AND NATURAL RESOURCES

While the traditional industry had been developing at the cost of destroying the environment, the Group spares no efforts to make changes with an aim to genuinely become a green corporate. The Group allocates funds and invests in equipment actively to minimize the destruction and impact of its operation on the environment and natural resources. During the Review Year, Jiaxing Minhui spent RMB41 million on establishing and operating waste water treatment station and the disposal of solid waste.

Details of the Group's investments in environmental protection		
Environmental protection investment projects	Amount (RMB'000)	Purpose
Solid waste	5,000	engage qualified contractors to handle solid wastes
Waste water treatment station (Phase II)	24,000	establish waste water treatment station (Phase II)
Waste water treatment station	12,000	daily operation of waste water treatment station

<sup>3</sup> ABS refers to acrylonitrile-butadiene-styrene copolymer.



# The Group and the Employees

## EMPLOYMENT AND LABOR PRACTICES

### Employment

The Group highly values its employees as its assets and the cornerstone of its sustainable development. The Group believes that every employee should be respected.

The Group has in place a recruitment and selection policy that ensures equal opportunity and upholds the principles of openness, fairness and impartiality regardless of race, skin color, religious belief, age and gender. Equal employment opportunity is provided to all candidates.

To set standards for employees' behavior and enhance their sense of self-discipline, responsibility and social morality, the Group formulated the Reward and Punishment Management Measures and the mechanism of "Rewarding the Excellence and Punishing the Inferiority", which stipulate the principles, criteria and procedures for reward and punishment and provide a basis for the implementation management of the Group.

The Group strives to balance the work and life of its employees by setting out the rules of working hours, overtime working, alternative leaves, business trips, attendance and leaves in the Employee Attendance and Leaves Policy of Minh Group for employees to understand their rights. The Group also organizes various festival celebration activities to enrich employees' life and enhance their sense of belonging.



"Family Day" activities



"Run for Love" mini-marathon

To attract talents and retain outstanding employees, the Group provides competitive remuneration packages and promotion opportunities to its employees. On top of a job-based pay, the Group offers job-based subsidies, performance bonus and one-off rewards. The Group's promotion policy is a comprehensive examination and assessment based on the employee's leadership, professional competence, experience, engagement, self-development and pursuit, as well as the need of job transfer. The Group conducts two promotion or advancement reviews per year to recognize and award outstanding employees for their efforts and stimulate their enthusiasm. Any employee who has doubt about his/her salary may enquire the Group's Human Resources Department which is obliged to and responsible for review and explanation.

As its business continues to grow rapidly, the Group faces challenges in the training and retention of talents. To reduce turnover rate, the Group will optimize human resources management and arrange monthly regular communication activities between heads of each department and their respective employees to exchange ideas, so as to deepen the understanding and keep detailed record of employees' needs. These will help the Group analyze the reasons for employee turnover and formulate the talent retention plan accordingly.

## The Group and the Employees

Key Performance Indicators for Employees of Jiaxing Minhui						
		Under 30	Aged 30-50	Over 50	Total	Ratio of male to female employees
Number of Employees	Male	311	392	6	709	2 : 1
	Female	178	173	0	351	
Total		489	565	6	1,060	

						New employees as percentage of total employee
		Under 30	Aged 30-50	Over 50	Total	
Number of new employees during the Review Year	Male	209	67	0	276	26.04%
	Female	106	66	0	172	16.23%
Total		315	133	0	448	42.26%

						Turnover rate
		Under 30	Aged 30-50	Over 50	Total	
Number of employees leaving during the Review Year	Male	141	89	0	230	21.70%
	Female	96	63	0	159	15.00%
Total		237	152	0	389	36.70%

The Group's policies related to employment are formulated and implemented based on the Labour Law of the People's Republic of China to protect the legitimate rights of employees. During the Review Year, no violations in respect of employment and labor practices were found in Jiaxing Minhui according to the internal records.

### Health and Safety

The Group believes that, to consistently enhance its performance in environment, health and safety, it should comply with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases as well as Hygienic Standards for the Design of Industrial Enterprises. Posts with occupational hazards must be identified in the first instance followed by assessment for the sufficiency and effectiveness of the current measures. Posts with occupational hazards identified in Jiaxing Minhui include aluminum anodizing, polishing, chrome plating and coating, which produce hazardous substances such as acid mist, methylbenzene, xylene and dust, etc. 242 employees of Jiaxing Minhui are exposed to posts with occupational hazards, representing 23% of total employees of Minhui. The Group arranges health checkup for occupational diseases to all employees exposed to posts with occupational hazards once a year.

The Group also helps employees to prevent other occupational diseases and sets up a safety committee to hold monthly health and safety inspections and organize all departments to formulate and implement rectification and improvement measures on safety hazards.

## The Group and the Employees

### Measures for Prevention of Occupational Diseases

Environmental Noise Pollution Control Guideline	Soundproof and anti-vibration measures for equipment producing high noise level and essential hearing protection measures for employees
Guideline on Heatstroke Prevention and Cooling Management for High Temperature Workplace in Summer	Adjust employees' working hours to avoid working at high temperature of noon Carry out cooling measures such as enhancing indoor ventilation and sprinkling water on rooftop Provide drinks and medicines for employees to help them cool down and repel mosquitoes

The Group strives to achieve safe production and implements the occupational health and safety management system of OHSAS 18001 standard. To promote occupational health management, Jiaxing Minhui formulated and implemented the Environment, Health and Safety Management Plan in 2016. The implementation status of health and safety targets of Jiaxing Minhui during the Review Year is as follows:

Target	Actual situations	Target achievement
<input type="checkbox"/> Lost time injury frequency rate (LTIFR) $\leq$ 120 hours per million ("PPM")	<input type="checkbox"/> LTIFR 160PPM	<input type="checkbox"/> Target not achieved, as an employee took 3 months' leave after a work related accident
<input type="checkbox"/> Total recordable injury frequency rate (TRIFR) $\leq$ 2.5PPM	<input type="checkbox"/> TRIFR 1.695PPM	<input type="checkbox"/> Target achieved
<input type="checkbox"/> Serious Environmental Protection Punishments (media exposure) $\leq$ 1	<input type="checkbox"/> No environmental-protection related complaints	<input type="checkbox"/> Target achieved
<input type="checkbox"/> Pass the ISO 14001 and OHSAS 18001 systems	<input type="checkbox"/> External audit of systems	<input type="checkbox"/> Passed

LTIFR target was not achieved during the Review Year because an employee suffered an injury when he/she repaired old equipment. Accordingly, the Group's EHS headquarters demanded Jiaxing Minhui to conduct self-management of safety inspection measures, assign employees to replace old equipment and conduct analysis of its design defects, organize employee trainings and amend the procedures of hot work.

The Group continuously raised the standards for production safety and formulated the Environment, Health and Safety Management Plan for 2017. Jiaxing Minhui will hold a safety knowledge competition and fire prevention skills competition in 2017 and supervise the implementation of three-level safety training for new employees, so as to raise the employees' safety awareness.

The Group's policies related to health and safety are formulated and implemented in compliance with the Law of the People's Republic of China on Production Safety and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, ensuring the production safety of the Group and protecting its employees from occupational diseases. During the Review Year, owing to the operation of an effective supervision system, Jiaxing Minhui did not find any violations in respect of providing safe working environment and protecting employees from occupational diseases according to the records.

## Development and Training

To improve employees' individual abilities and satisfy their needs for development, the Group organizes internal and external trainings to help employees improve their occupational skills. The Group appoints experienced employees as instructors to be responsible for internal trainings. The Group also arranges external training for employees when appropriate. The trained employees will be requested to share the experience internally and spread the knowledge.

The Group has formulated the Minth Group Employee Training Policy which includes detailed annual training plans for employees of the Principal Place of Business in Jiaxing and Jiaxing Minhui, and it has been supervising the implementation of training plans. To ensure the quality of trainings, the Group also conducts training effect evaluation through collecting opinions from the employees who have attended the trainings. The Group will improve the contents of trainings according to the feedback, so as to improve the training effectiveness.

The Group recorded and analyzed the implementation of 2016 employee trainings and the feedback, and formulated 2017 training plans according to the needs of different departments and positions, so as to provide its employees with multiple training options, for example:

Targeted attendee	Subject or course name	Number of attendees	Training hours per person
Management <sup>4</sup>	Marketplace® Simulation for enterprise operational decision-making	1	16
	Financial course for decision makers	1	32
Executives <sup>5</sup>	Flash on EHS laws, rules and regulations	10	1
	Situational leadership	5	14
	IATF16949 internal auditors	10	24
Engineers <sup>6</sup>	VDA 6.3 process audit qualification	1	40
	Siemens PLC (programmable logic controller)	2	24
	Process failure modes and effects analysis	10	3
	BMW projects development process	5	4
General employees <sup>7</sup>	Orientation training for new employees	448	16
	Identification and evaluation of environment factors and sources of danger	20	1
	Solid waste management training (waste classification and hazardous waste management)	20	2
	Accredited safety training for high risk positions	50	2
	Occupational health protection knowledge training, fire prevention knowledge training and fire drill, and horizontal training based on accident cases	450	1

<sup>4</sup> Management includes general managers

<sup>5</sup> Executives include heads and representatives of departments, managers, supervisors and internal auditors for systems

<sup>6</sup> Engineers include quality assurance engineers, production engineers, equipment engineers, technical engineers and product engineers

<sup>7</sup> General employees include new employees, team/line leaders, high-risk-position employees and all employees

## The Group and the Employees

### Labor standards

The Group fully understands that child or forced labor is in violation of basic human rights and International Labor Convention, and poses threats to the sustainable development of the society and economy. The Group strictly adheres to the Labor Contract Law of the People's Republic of China, committing itself not to employ minors under 16 and forced labor. The Group commits itself to regularly review the recruitment management and procedures, and conduct actual age checking, including checking the identity credentials and making detailed records.

International Labour Organization (ILO) is a specialized agency of the United Nations that issues labor standards in the form of International Labor Convention and proposals, so as to promote the worldwide workplace and living standards. China is a founding member and permanent member of ILO. In Hong Kong, a total of 41 International Labor Convention applicable to various affairs such as work conditions and employment policies are in force.

The Group will only execute the requirements in the standard labor contract and will not in any manner unfairly restrict the employment relationship between the employees and the company, such as by holding in custody any deposits or identity credentials. Subject to laws, rules and regulations, employees have the right and freedom to terminate labor contracts.

During the Review Year, Jiaxing Minhui did not find any cases of child and forced labor according to the internal records.

## SUPPLY CHAIN MANAGEMENT

The Group treats suppliers as its important business partners, and believes that an effective management of the supply chain is a key factor to ensure the sustainability of the Group's business. The Group strongly believes that it should oversee and manage along the entire cycle from design, production, transportation to sale of its products.

The Group establishes and utilizes Suppliers EHS Assessment and Investigation Form for the collection of relevant information of new suppliers during selection process, including business license qualification, safety and health and environment protection management policies or requirements.

The Group sets up guidelines on supplier selection process according to the Guidelines on Evaluation Management of New Suppliers Introduction, and builds up a professional supplier examination team to evaluate and score potential suppliers. Scoring standard comprises ten aspects, namely business philosophy, quality monitoring system, management responsibility, product design and development, production and service provision, metrics management, product protection and logistics, measurement analysis, control and improvement of defective products, and safety evaluation. Only suppliers with total score of 90 or above will be qualified as the Group's suppliers. Currently, 342 suppliers have passed the examination and become suppliers of the Group, of which 90% come from Jiangsu, Zhejiang and Shanghai, 4% are from South China, and 6% are overseas suppliers.

During the Review Year, the Group found during the supply chain monitoring process that a supplier ran its business by making use of the first-class qualification in fire safety engineering professional contractor of another party. Through auditing method, the Group undertook an investigation of the employees responsible for the evaluation of the related supplier, and one employee was punished for misconduct. The related supplier was classified as forbidden supplier in the Group's purchasing system so as to prevent such event from reoccurring. The Group will gradually introduce assessment mechanism for suppliers' environmental and social indicator performance to enhance supplier management.

## RESPONSIBILITY FOR PRODUCTS

In the face of rising expectation on products and services from clients, the Group fully understands that in order to maintain steady growth and consolidate its market share, providing high quality products and services is paramount in retaining clients.

Building up a highly efficient quality management system is an indispensable element to maintain competitiveness. The product quality of the Group is recognized by the clients, and the Group was awarded numerous excellent supplier awards. Jiaying Minhui has passed the automobile quality management system TS 16949 for factories. As the automotive industry's new quality management standard IATF 16949 is gradually replacing the current TS 16949 standard, the Group will consistently enhance the quality management and strengthen the protection on clients' health and safety. The operation of the Group does not involve advertisements and labels; however, the Group attaches vital importance to the protection of clients' information, privacy and intellectual property. The Group has entered into confidentiality agreements with all clients and set out confidential rules in the Commitment of Integrity and Self-discipline signed by employees, ensuring that employees are aware of their responsibility and obligation.



## Operation Practices

Through identification and traceable management process, the Group monitors every production process, and manages the quality of raw materials, semi-finished products, finished products, specific materials, parts and outsourced components to ensure that the product quality meets the requirements of clients and complies with related requirements of the Law of the People's Republic of China on Product Quality. Regarding the newly developed products, the Group formulated work guideline on product manufacturing process and finished product random testing so as to identify and avoid risks involved in the development process and mass production process.

To consistently improve its services toward clients, the Group builds up a complaint and suggestion platform for clients in terms of its products or services. During the Review Year, the Group received 16 complaints from clients. The Group respects its clients and timely deals with the complaints, as well as monitors the complaint handling process and results to make sure clients' complaints were timely handled with effective and satisfactory results.

During the Review Year, owing to the operation of an effective supervision system, no violations in respect of product responsibility were found in Jiaying Minhui according to the records.

### ANTI-CORRUPTION

The Group strongly believes that integrity in business operation is the foundation of corporate social responsibility, corporate competitiveness and sustainable development.

The Group makes more efforts to prevent commercial corruption, and strengthens the establishment of procurement system and internal audit efforts in order to comply with laws and regulations such as the Anti-money-laundering Law of the People's Republic of China, Law Against Unfair Competition of the People's Republic of China and the Provisional Regulations on the Prohibition of Commercial Bribery. The Group requested its employees to sign the Commitment of Integrity and Self-discipline to undertake that, among others, they will refuse commercial bribery and will not encroach, misappropriate or abuse the Group's properties and will keep business secrets strictly confidential. The Group has formulated the Supplier Integrity Reward and Punishment Regulation which defines violating acts and sets the forms of rewards and punishments. The Group also signed the Supplier Integrity Agreement with suppliers to prevent corruption and protect legitimate interests of both parties, establishing a long term, healthy and win-win cooperation with suppliers.

To enhance its internal management, the Group pays special attention to bribery, extortion, fraud, money laundering and other inappropriate acts, and sets up the Reporting and Award Regulation. The Group encourages employees and business partners to report suspicious cases and protects the reporting party, so as to create a corporate culture of honesty and integrity. During the Review Year, the Group investigated and handled all the unearthed corruption cases properly and traced and checked the rectification results. The Group will consistently enhance its anti-corruption measures so as to optimize its internal control management and strengthen risk management.

During the Review Year, owing to the operation of an effective supervision system, Jiaying Minhui did not find any violations in respect of bribery, extortion, fraud and money laundering according to the records.

# The Group and the Community

## COMMUNITY INVESTMENT

Maximizing short-term financial performance for shareholders is not the only goal of business administration. As a company committed to social responsibility, the Group set up the Zhejiang Minth Charity Fund (the “Fund”) in June 2013 with the principle of “dedication and sharing of love”, providing support and assistance to education programs as well as orphans, the disabled and underprivileged people. The Group has formulated the Zhejiang Minth Charity Fund Rules (the “Rules”) and is dedicated to building a healthy and energetic community through the Fund and participation in other charity activities.

Project	Duration	Total amount of donation (in RMB)/ materials <sup>8</sup> donated under each project	Beneficiaries
Hope for Pearl	2009–2016	RMB9,485,000	1,238 “underprivileged yet academically talented” high school students and 50 undergraduates
Red Cross Donation	2016	RMB50,000	Underprivileged students
Minshan “Deng Feng” Scholarship	2015–2017	RMB150,000	100 students
Children Class Project for the Yi Ethnic Group	2016–2022	RMB532,500	50 children
“Enjoyable Reading” Project for Children	2014–2016	about 2,000 books donated	Schools
Caring and Nutritious Lunch for Migrant Workers’ Children	2014–2016	RMB222,900	384 persons



Minth Pearl Class under “Hope for Pearl” project

<sup>8</sup> Total amount of donation (in RMB)/materials donated under each project has included the amount/materials donated in the name of Minth Group Limited prior to the establishment of the Fund.

## The Group and the Community

The Fund supervises investments in the community and society according to the Rules to ensure the donated funds and materials reach the relevant beneficiaries. The Fund signs agreements with the beneficiaries in terms of the approach and amount of donation, and the purposes and usage of funds. The beneficiaries are subject to supervision of the Fund and carry out related work as agreed in the agreement and record the basic information and amount of donation received by the ultimate beneficiaries. In addition, the Group's management will visit the local partner schools in due time to have one-on-one interviews with each beneficiary student and visit homes of some students so as to understand their thoughts and ensure that more helpful assistance is provided to the students in need.

Employees are the core power of the Group to promote social well-being and create more values to the society. The Group encourages its employees to participate in charity activities as volunteers. During the Review Year, there were 103 members in the Group's volunteer team, of whom 34 were long time volunteers. The Group also encourages employees to donate money to help the underprivileged. During the Review Year, about 10,000 persons supported the Group's fundraising activities and donated a total of RMB1.808 million.

# Content Index for the Environmental, Social and Governance Reporting Guide



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<b>A2 Use of resources</b>		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	9
<b>A3 The environment and natural resources</b>		
General disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources.	9
<b>B1 Employment</b>		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	10–11
<b>B2 Health and safety</b>		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to providing a safe working environment and protecting employees from occupational hazards.	11–12
<b>B3 Development and training</b>		
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## Content Index for the Environmental, Social and Governance Reporting Guide

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<b>B7 Anti-corruption</b>		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	16
<b>B8 Community investment</b>		
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.	17–18