

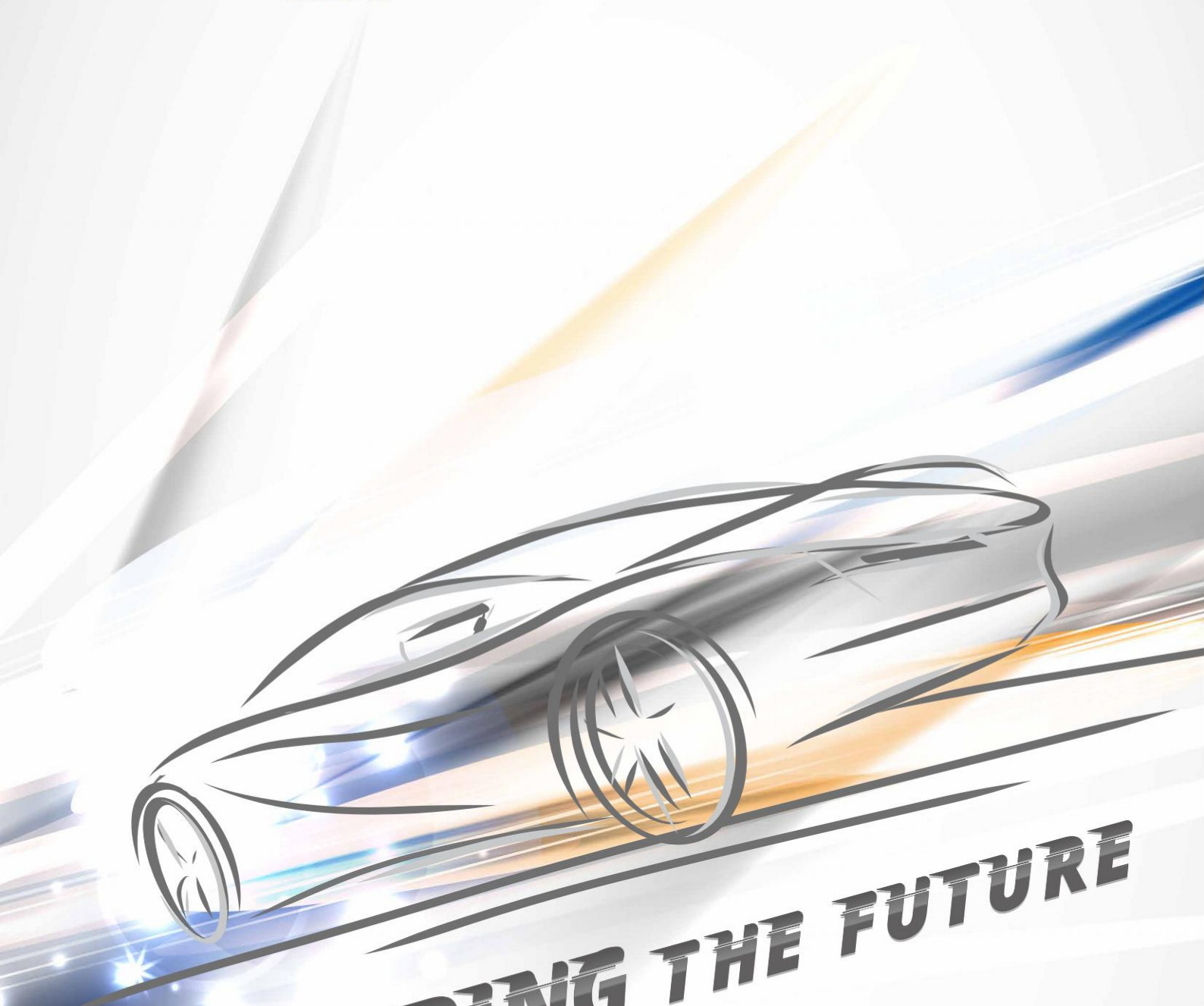


浙江世寶股份有限公司

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

2024

Environmental, Social
and Governance Report

* For identification purposes only

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1 About This Report

This Environmental, Social and Governance Report (the "Report") outlines the significant initiatives undertaken and notable achievements made by Zhejiang Shibao Co., Ltd. (collectively referred to as "the Company", "Company", "we" or "Zhejiang Shibao") and its subsidiaries (collectively referred to as "the Group") in fulfilling corporate social responsibility and promoting sustainable development. The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx"). It aims to inform and report to the Group's investors and stakeholders on the disclosure of the Group's comprehensive implementation of sustainable development principles and the significant impacts on environmental, social, and governance aspects, as well as the effectiveness of the risk management and internal control systems adopted, from 1 January to 31 December 2024 ("the Year").

This Report has been prepared in compliance with the requirements of the Environmental, Social and Governance Reporting Guide ("Guide"; renamed as the "Environmental, Social and Governance Reporting Code" effective from 1 January 2025) under Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Report has complied with the requirements of the Guidelines in disclosing all content for the year ended 31 December 2024.

This report is prepared in both Chinese and English, in the event that different interpretation occurs, the Chinese version shall prevail.

1.1 Company Profile

The Company was founded in 1984, and its H shares were listed on the Growth Enterprise Market of the HKEx on May 16, 2006, and subsequently transferred to the Main Board of the HKEx on March 9, 2011, with the stock code 1057. As a pioneer and leader in the automotive steering system field in China, for nearly four decades, the Company has been dedicated to the research and development, manufacturing, and sales of automotive steering systems and related components, including electric power steering systems (EPS), hydraulic power steering systems (HPS), and key components. In 2009, the Company was awarded the title of "Leading Enterprise of China Automotive Components Steering Sector" by the China Association of Automobile Manufacturers (CAAM). The Company is also a major participant in the development of China national standards of steering gear industry, was named in the list of "National Top 100 Auto Parts Suppliers" for years.

The Group has always adhered to the concept of "customer-centricity," with the mission of "providing customers with safe, energy-efficient, and high-performance steering system products." Its vision is to "build a century-old enterprise that leads the industry." The Group adheres to the core values of "steady progress for long-term success," "technology-driven development," "continuous improvement in quality," and "data-enabled decision-making." It is committed to providing safe, intelligent, energy-efficient, and lightweight automotive steering systems for leading global automotive groups, striving to enhance the research and development and production capabilities of steering systems and key components for all vehicle models to an internationally competitive level, establishing long-term and stable strategic partnerships with more renowned global automobile manufacturers, and jointly promoting the innovation and development of the automotive industry.

1.2 Our Approach

With the mission of "providing customers with safe, energy-efficient, and high-performance steering system products", the Group is committed to sustainable development, creating long-term value for stakeholders, and strictly adhering to environmental, social, and governance (ESG) standards. We uphold the following core values:

- **Steady Progress for Long-Term Success:** We focus on our core business, adhere to prudent management, inherit the entrepreneurial spirit of "responding to calls, fighting battles, and achieving victories," and achieve sustainable development of the enterprise.
- **Technology-Driven Development:** We delve into cutting-edge technology research in the industry, grasp development trends, drive development with technology, and continuously enhance product competitiveness guided by customer needs.
- **Continuous Improvement in Quality:** We pursue perfection in product quality and details, continuously promote production site improvements, create a "clean, orderly, and dry" working environment, involve all employees, and strive for excellence.
- **Data-Enabled Decision-Making:** We prioritize people, focus on process optimization, accelerate enterprise informatization and database construction, enhance operational efficiency and decision-making scientificity, and inject digital momentum into enterprise development.

1.3 Reporting Scope

This report discloses the ESG risks and management initiatives of the Company in accordance with the "Materiality Principle" mentioned in the Guidelines. The reporting scope covers the Company and its wholly-owned and controlled subsidiaries. The reporting scope of this report is consistent with the consolidated financial statements scope of the Company's 2024 Annual Report.

#	Full Company Name	Stakeholder Ratio (%)		Company Abbreviation
		Directly	Indirect	
1	Zhejiang Shibao Co., Ltd.	-	-	Company/Our Company/We/Zhejiang Shibao
2	Hangzhou Shibao Auto Steering Gear Co., Ltd.	100.00	-	Hangzhou Shibao
3	Hangzhou New Shibao Electric Power Steering System Co., Ltd.	90.00	-	Hangzhou New Shibao
4	Jilin Shibao Machinery Manufacturing Co., Ltd.	100.00	-	Jilin Shibao
5	Beijing Autonics Technology Co., Ltd.	100.00	-	Beijing Autonics
6	Wuhu Sterling Steering System Co., Ltd.	57.89	-	Wuhu Sterling
7	Erdos Sterling Steering System Co., Ltd.	-	57.89	Erdos Sterling
8	Jiangsu Feiying Automotive Technology Co., Ltd.	-	100.00	Feiying Automotive

Note: The reporting scope of the 2024 Environmental, Social and Governance (ESG) report has been adjusted compared to 2023, expanding from covering four major operating subsidiaries (contributing over 95% of revenue) to being fully consistent with the consolidated financial statements scope of the annual report. This adjustment is in response to the latest requirements of Appendix 27 of the Listing Rules of the Hong Kong Stock Exchange (revised in December 2023), which stipulates that "issuers should gradually align the scope of ESG reporting with financial reporting" to comprehensively enhance the completeness and comparability of ESG data, and better meet the needs of investors and other stakeholders for comprehensive ESG information.

1.4 Reporting Principles

The Group adheres to the following fundamental reporting principles outlined in the Environmental, Social, and Governance Reporting Guidelines when preparing this report:

- **Materiality:** The Group recognizes the materiality of matters that may have a significant impact on its stakeholders and operations. The annual materiality assessment identifies significant environmental and social issues. During the reporting period, the significant issues identified were similar to those in previous periods. The results of the materiality assessment were submitted to the Board of Directors for confirmation of the significant environmental, social, and governance matters for the year.
- **Quantification:** The Group records and discloses key performance indicators (KPIs) in a quantitative manner (where applicable) to evaluate and verify the effectiveness of its environmental, social, and governance policies and initiatives.
- **Consistency:** We have adopted the same data statistics and conversion methods as in 2023. Relevant data from 2023 is disclosed in the report to enable stakeholders to understand and meaningfully compare the Group's environmental, social, and governance performance.
- **Balance:** This report discloses information in an objective manner, presenting an unbiased view of the Group's overall environmental, social, and governance performance to stakeholders.

1.5 Governance Structure

To further enhance the Group's environmental, social, and governance effectiveness and ensure operational efficiency, the Group has established a top-down ESG management structure. The Board of Directors is the highest decision-making body for ESG governance within the Group and bears ultimate responsibility for the Group's ESG efforts. The Board has established an Environmental, Social and Governance Committee (Collectively referred to as the "ESG Committee") responsible for formulating and reviewing the Group's ESG vision, objectives, strategies, management policies, governance structure, risk management, and internal oversight framework, as well as operational management and performance execution. The Committee regularly reports on ESG-related performance and provides recommendations to the Board, overseeing the implementation of corresponding improvement plans.

The ESG Committee is accountable to the Board, with its proposals and reports submitted to the Board for review, decision-making, and approval. The primary responsibility of the ESG Committee is to ensure the accuracy of performance related to environmental, social, and governance (ESG) matters. Within the scope stipulated by the Guidelines issued by the Hong Kong Stock Exchange, the ESG Committee provides advice and assistance to the Board on matters concerning the oversight of environmental, social, and governance (including climate-related) risks and opportunities. This encompasses governance, policies, risk management (including ESG-related risks), implementation efforts, performance, and reporting. Additionally, the ESG Committee is responsible for guiding relevant working groups in their specific tasks and submits a written report to the Board annually for discussion and consideration.

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The ESG Committee has established an ESG Working Group as its executive body. The ESG Working Group is primarily responsible for the preparatory work before decision-making by the ESG Committee, coordinating with various departments, units, and subsidiaries of the Group to fully implement ESG initiatives, regularly reviewing and summarizing the progress and effectiveness of the Group's ESG-related work, and reporting to the ESG Committee. During the year, the ESG Working Group will also submit data related to the Report to the ESG Committee in writing on an annual basis for analysis and compilation by the ESG Committee before presenting it to the Board of Directors.

Based on quarterly routine inspections of environmental, social, and governance matters, the ESG Working Group develops a timetable for improvement, perfection, or new initiatives based on the objectives set by the Board and reports to the ESG Committee. The ESG Committee provides advice and assistance on the report, facilitating coordination among various departments in achieving the Group's overall objectives. The Board also communicates regularly and irregularly with stakeholders to understand issues of concern, formulate and promote work strategies, monitor and inspect work progress, and make revisions as needed to effectively achieve the Group's objectives. Environmental, social, and governance are closely related to the Group's business operations, and the Group fulfills its environmental protection responsibilities by enhancing product technical performance, optimizing production processes, and improving management standards. Adhering to the principle of unifying green production, economic benefits, and environmental benefits brings long-term benefits to the Group and creates value for stakeholders.

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ESG Management Hierarchy	Members	Specific Responsibilities
<p>Board of Directors</p>	<p>Executive Directors: Mr. Zhang Baoyi (Vice Chairman and General Manager) Mr. Tang Haohan Ms. Zhang Lanjun Ms. Liu Xiaoping (resigned) Mr. Zhou Yu (appointed on June 17, 2024)</p> <p>Non-Executive Directors: Mr. Zhang Shiquan (Chairman) Mr. Zhang Shizhong</p> <p>Independent Non-Executive Directors: Mr. Min Haitao (appointed on June 17, 2024) Mr. Lin Yi (resigned) Mr. Gong Junjie Mr. Xu Jincheng</p>	<ol style="list-style-type: none"> 1. Formulating and overseeing ESG objectives and policies 2. Establishing and overseeing communication processes, control related risks (including climate-related risks), and allocate resources. 3. Reviewing the effectiveness of policies, audit related policies and reports. 4. Continuously overseeing and maintaining appropriate and effective risk management and internal control systems, and reviewing their effectiveness. 5. Appointing committee and working group leaders and members to ensure effective ESG management.
<p>ESG Committee</p>	<p>Chairman: Mr. Zhang Baoyi Members: Mr. Zhang Shiquan and Mr. Tang Haohan</p>	<ol style="list-style-type: none"> 1. Ensure the accuracy of ESG-related performance. 2. Take full responsibility for assessing and determining the nature and extent of risks the Group can bear to achieve strategic objectives and oversee risk management and internal control systems. 3. Provide advice and assistance to the Board within the scope specified in the Guidelines issued by the Hong Kong Stock Exchange on managing the Group's environmental, social, and governance matters. 4. Guide the ESG Working Group in carrying out related work.
<p>ESG Working Group</p>	<p>Coordinated by the Work Office, jointly with various functional departments and subsidiaries.</p>	<ol style="list-style-type: none"> 1. Responsible for the daily management of specific ESG initiatives. 2. Collecting and reporting ESG information (including climate-related risks and opportunities) 3. Implementing specific ESG tasks and regularly reporting to the Committee.



1.6 Stakeholder Engagement and Materiality Assessment

We attach great importance to maintaining good communication with internal and external stakeholders, establishing a normalized communication mechanism to promptly understand their demands, continuously optimizing and adjusting communication channels to actively respond to stakeholder concerns, and steadily promoting the orderly implementation of the Group's sustainable development initiatives. The following table lists the categories of stakeholders important to the Group's business operations, the issues they are concerned about, communication channels with the Group, and the frequency of communication:

Stakeholder	Concerned Issues	Communication Needs	Communication Channels
Government Departments	Emissions Management Compliance Operations Integrity and Anti-corruption	On-site Investigations Communication and Negotiations On-site Spot Checks Participation in Policy, Standard, and Planning Research and Formulation	Irregularly based on specific situations
Shareholders	Business Performance Sustainable Development Management Compliance Operations	Annual General Meeting Earnings Conference On-site Investigations Roadshows and Reverse Roadshows Multi-channel Meetings	Annual General Meeting held once a year Ad hoc meetings for major events or special circumstances Irregular roadshows and reverse roadshows
Investors	Compliance Operations Business Performance Product Safety and Quality	Telephone Conferences Hosting Client Company Visits Domestic and Foreign Investment Conferences Roadshows and Reverse Roadshows	Hosting company visits Hosting one-on-one telephone conferences Convening investment group meetings Annual Report Earnings Conference Irregular roadshows and reverse roadshows
Employees	Employee Rights and Interests Occupational Health and Safety Employee Training and Development	Employee Training Trade Union and Party Organization Activities Employee Representative Conferences Collection of Opinions and Reasonable Suggestions	Online and offline employee training Irregular trade union activities At least one party organization activity per year At least one employee representative conference per year Employee satisfaction survey once a year
Suppliers	Supply Chain Management Product Safety and Quality Business Performance	On-site Investigations Supplier Evaluation Quality Communication Telephone/Written Communication Public Procurement Bidding	Irregular supplier meetings Annual supplier evaluation Supplier access assessment

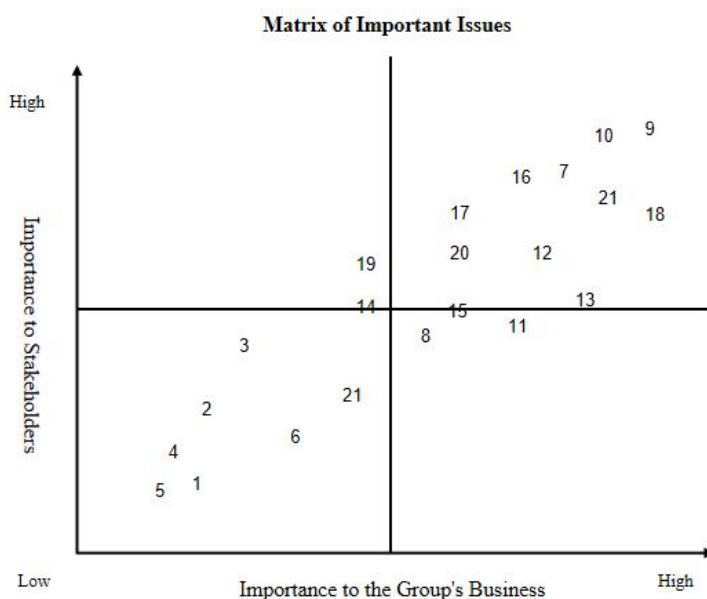
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Stakeholder	Concerned Issues	Communication Needs	Communication Channels
Customers and Consumers	Product Safety and Quality Technology and Innovation Sustainable Development Management	Online and offline promotion Market Research Customer Satisfaction Surveys Customer Complaint Handling	Irregularly based on specific situations
Communities	Philanthropy Community Contributions	Community Philanthropic Activities Community Communication On-site Investigations	Irregularly based on specific situations
Media	Philanthropy Community Contributions	Media Press Conferences	Irregularly based on specific situations

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In 2025, the Group conducted an online questionnaire survey in March, inviting internal and external stakeholders to assess the importance of various issues. After the survey, the Group evaluated the importance of each issue from the dimensions of "importance to the Group's development" and "importance to stakeholders" based on feedback from all participants and expert opinions, and compiled an ESG materiality issue matrix for the year.

For the current year, the Group identified 21 material issues among the concerns of stakeholders and used the following materiality matrix to explain the Group's priorities and ranking assessment results:



Environmental Issues		Social Issues		Governance Issues	
1	Climate Change Response	6	Philanthropy	16	Sustainable Development Management
2	Emissions Management	7	Technology and Innovation	17	Integrity and Anti-corruption
3	Energy Use	8	Supply Chain Management	18	Compliance Operations
4	Water Resource Management	9	Product Safety and Quality	19	Anti-unfair Competition
5	Packaging Material Management	10	Responsible Marketing	20	Intellectual Property Protection
		11	Data Security and Customer Privacy Protection	21	Business Performance
		12	Occupational Health and Safety		
		13	Employee Rights and Interests		
		14	Employee Training and Development		
		15	Employee Care and Communication		

1.7 Honors and Sustainable Development Achievements of the year 2024

During the current year, the Group made significant achievements in sustainable development and received multiple authoritative recognition:

- **Green Manufacturing:** Zhejiang Shibao was awarded the national-level "Green Factory" title, Hangzhou New Shibao was selected as a "Hangzhou Green Factory," and Jilin Shibao was recognized as a "Jilin Intelligent Factory".
- **Technological Innovation:** Zhejiang Shibao was ranked among the "Top 100 Chinese Auto Parts Enterprises" and the "Top 100 Core Suppliers for Intelligent Connected Vehicles" and received the "Global New Energy Vehicle Supply Chain Innovation Award".
- **Social Responsibility:** Zhejiang Shibao was recognized as a "Zhejiang Excellent Employer Enterprise" and a "China Quality and Integrity Enterprise", while Hangzhou New Shibao received the "Contract-abiding and Creditworthy (AA)" certification.
- **R&D Strength:** Zhejiang Shibao, Hangzhou New Shibao, Hangzhou Shibao, Beijing Autonics and Wuhu Sterling maintained their 'High-Tech Enterprise' qualifications. Meanwhile, Jilin Shibao has newly obtained both the "High-Tech Enterprise" accreditation and the "Provincial Technology Innovation Center" certification.

2 Environmental Protection

2.1 Emissions Management

The Group adheres to the green development concept, strictly abiding by laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Solid Waste Pollution Prevention and Control Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, and the Water Pollution Prevention and Control Law of the People's Republic of China. It implements national standards such as the Integrated Emission Standard for Air Pollutants (GB 16297-1996), the Integrated Wastewater Discharge Standard (GB 8978-1996), and the Emission Standard for Industrial Enterprises Noise at Boundary (GB 12348-2008).

The Group has established a comprehensive environmental management system, including policies on wastewater discharge management, exhaust emission management, and the handling of hazardous and non-hazardous waste, to ensure compliance with emission control and waste disposal regulations. The primary emissions generated during the Group's production processes are greenhouse gases, exhaust emissions, wastewater, and waste.

During the reporting period, the Group did not experience any environmental pollution incidents, and all exhaust emissions and wastewater were discharged in compliance with standards. Waste materials were all disposed of or recycled in accordance with regulations.

Greenhouse Gases

The Group attaches great importance to sustainable development and actively promotes greenhouse gas emission management. By enhancing energy efficiency, adopting clean energy alternatives, and optimizing production processes, the Group continuously reduces greenhouse gas emission intensity and strives to achieve carbon neutrality. The Group strictly enforces an energy-saving standard of maintaining indoor air conditioning temperatures at no lower than 26°C during summer, effectively reducing energy consumption and greenhouse gas emissions. In 2024, the Group recorded approximately 47,103.03 tons of total greenhouse gas emissions, primarily originating from the use of purchased electricity in the production process.

Exhaust Emissions

The exhaust emissions generated during the Group's operations do not have a significant impact on the environment, so no specific emission reduction targets have been set. However, the Group closely monitors and strictly controls air pollutants that may be generated during production and transportation. Hangzhou Shibao and Hangzhou New Shibao adhere to stricter emission control standards for atmospheric pollutants:

- Volatile Organic Compounds (VOCs) emissions comply with the stricter local standard in Hangzhou, the "Emission Standard for Volatile Organic Compounds from Key Industrial Enterprises".
- Painting processes conform to the "Emission Standard for Air Pollutants from Industrial Coating Processes" (DB 33/2146-2018).
- Heat treatment processes adhere to the "Emission Standard for Air Pollutants from Industrial Furnaces and Kilns" (GB 9078-1996).

Wastewater

Process wastewater primarily originates from precision machining and heat treatment operations. Since the discharge volume does not significantly impact the environment, the Group has not set specific wastewater reduction targets but continues to monitor wastewater discharge in relevant production processes.

Waste

The Group has set up classified collection points at various workplaces based on the nature of waste and clearly labeled them for standardized disposal:

- For non-hazardous waste, household garbage, office waste, and other non-recyclable materials are collected and transported by urban management departments. Recyclable materials such as waste cardboard and wood are entrusted to professional companies for recycling. Kitchen waste is uniformly collected and sent to farms as feed. Due to the small discharge volume of non-hazardous waste, which does not significantly impact the environment, the Group has not set specific reduction targets.
- For hazardous waste, the Group reduces its generation by enhancing clean production levels and production efficiency. Hazardous waste such as waste light tubes, batteries, ink cartridges, toner cartridges, waste emulsified liquid, oily rags, waste chemical containers, waste paint residue, paint buckets, and sedimented sludge is entrusted to qualified units for disposal. Dedicated disposal points have been established to strengthen supervision and inspection, and regular emergency drills for dangerous chemical leaks are conducted, strictly enforcing the "Emergency Preparedness and Response Procedures." During the reporting period, various measures were effectively implemented, and due to the small discharge volume of hazardous waste, which does not significantly impact the environment, the Group has not set specific reduction targets.

During the reporting period, the Group strictly complied with environmental regulations, maintaining good overall environmental compliance and not experiencing any exceedance emissions incidents. In terms of emission management, the Group has invested in the construction of environmental protection facilities to ensure that the treatment of wastewater, exhaust emissions, and solid waste complies with national and local standards. All subsidiaries passed environmental supervision and inspection by environmental protection departments, with all emission indicators meeting standards. Among them, Zhejiang Shibao, Wuhu Sterling, Hangzhou Shibao, Hangzhou New Shibao and Jilin Shibao have obtained ISO 14001 environmental management system certification, further enhancing environmental management levels.

2.2 Resource Use Management

The Group fully integrates sustainable development principles into its entire production and operation processes, continuously strengthening resource management. In strict compliance with relevant laws and regulations such as the Energy Conservation Law of the People's Republic of China, Water Law of the People's Republic of China, and Circular Economy Promotion Law of the People's Republic of China, the Group has established a comprehensive management system adhering to the principle of rational resource utilization. The primary resources consumed by the Group include water, electricity, gasoline, natural gas, as well as production materials like steel and blanks, and packaging materials such as cardboard and wood. As an environmentally responsible enterprise, we are committed to improving resource utilization efficiency and reducing waste.

In energy conservation management, the Group implements a series of effective measures. These include installing energy-saving labels in factories and office areas, equipping low-energy production equipment and automatic sensor-based lighting systems, and establishing a power consumption efficiency target management system to ensure annual electricity consumption fluctuations align with revenue changes. In 2024, the Group's electricity consumption changes met expected targets and are projected to remain within the target range in the future.

For water conservation management, the Group promotes water recycling and installs water meters in each water-using department to monitor consumption. Based on monitoring data, reasonable water consumption quotas are set for each department, and abnormal usage is investigated and rectified. Electromagnetic valves are installed in office building and workshop restrooms to control water consumption, and pipeline equipment is promptly repaired to prevent leaks. The Group sets water use efficiency targets, requiring annual water consumption fluctuations to align with revenue changes. In 2024, the Group's water consumption changes met expected targets, with this trend expected to continue in the future.

In terms of raw material optimization, the Group reduces raw material consumption per unit of product through improved product design, optimized production processes, structural weight reduction, and loss reduction measures. For packaging materials, the Group prioritizes recyclable and biodegradable eco-friendly materials to minimize environmental impact. Simultaneously, packaging material use efficiency targets are set to ensure annual consumption changes align with revenue changes. In 2024, the Group's packaging material consumption changes met expected targets, with this trend projected to continue.

2.3 Environment and Natural Resources

The Group's daily operations do not significantly impact on the environment and natural resources. The Group actively promotes green office practices and advocates for paperless operations. By deploying the multi-terminal collaborative office platform DingTalk system, the Group streamlines office processes, enhances information management, and reduces paper document usage. Employees are encouraged to commute using public transportation, and video conferencing is prioritized to minimize carbon emissions from business travel.

As an enterprise focused on auto parts manufacturing, the Group continuously explores and implements more environmentally friendly production methods and technologies to reduce the negative environmental impacts of its business activities. The high-efficiency energy-saving steering systems developed by the Group not only enhance vehicle handling performance but also reduce energy consumption and exhaust emissions, contributing to improved air quality and mitigating global warming. The Group is committed to developing components made from lightweight materials, reducing vehicle weight while ensuring safety and performance, and further decreasing fuel consumption and carbon emissions. By promoting the use of these eco-friendly products, the Group assists the automotive industry in transitioning towards a greener and more sustainable direction.

2.4 Climate Change

Climate change-related risks are gradually permeating various industries, posing significant challenges and new opportunities for business operations and development. In light of this, the Group actively integrates climate factors into its decision-making system, aiming to better adapt its business and overall operations to climate change. The Board of Directors has established an ESG Committee responsible for formulating the Group's climate change response strategies, enhancing resilience against climate change risks, and seizing opportunities arising from them, promoting sustained business growth.

Physical Risks

The Group is fully aware of the physical risks posed by climate change, including the potential impact of extreme weather events (such as typhoons, floods, and high temperatures) on production facilities, supply chains, and operational continuity. To enhance climate resilience, the Group has taken the following measures:

- **Acute Risks:** An emergency response team composed of employees and security personnel has been established, equipped with emergency rescue materials such as sandbags, shovels, industrial salt, and mini fire stations. Regular natural disaster emergency drills are conducted to effectively ensure the normal operation of production and business activities. Flood prevention emergency materials are regularly inspected, and drainage ditches, drainage wells, and roof drainage gutters in the factory area are regularly cleaned to ensure smooth drainage.
- **Chronic Risks:** Since high-temperature work is prone to heatstroke incidents, the Group has formulated heatstroke prevention measures for high-temperature weather, including adjusting work schedules, controlling work hours, and providing heatstroke prevention items and medicines.

Transformation Risks

The Group closely monitors policy and legal, market, technological, and reputational risks brought about by the low-carbon economic transformation, such as energy efficiency standard upgrades and changes in customer green demand. To mitigate transformation risks, we have adopted the following strategies:

- Monitoring domestic and international climate policies to ensure compliance with the latest regulatory requirements.
- Accelerating the optimization of production processes, such as adopting lightweight materials, energy-saving equipment, and renewable energy, to reduce carbon costs and enhance market competitiveness.
- Promoting upstream partners to jointly reduce carbon emissions and mitigate value chain transformation risks.

In terms of financial impact, climate change may lead to additional legal, financial, tax, insurance, and administrative costs for the Group. Simultaneously, the Group's financial performance will also be affected by factors such as energy supply fluctuations, water shortages, labor market changes, employee safety guarantees, supply chain disruptions, production efficiency declines, customer demand shifts, and transportation network disruptions. The specific impact will depend on the nature, evolution speed, and primary impact areas of climate change.

Opportunity Management

As an automotive component manufacturer, the Group is actively seizing the dual opportunities of low-carbon transformation and technological innovation. By increasing R&D investment and deploying intelligent, low-energy product lines, the Group will further consolidate its industry-leading position and respond to the "dual carbon" target and industrial chain upgrade demands.

Furthermore, the frequent occurrence of extreme climate events highlights the importance of supply chain resilience management. In the supply chain, the Group promotes collaborative carbon reduction with suppliers, reduces compliance risks, shapes a green brand image, and better aligns with the international market's preference for low-carbon supply chains. In the future, the Group will continue to strengthen climate risk and opportunity assessments, deeply integrate climate issues into strategic planning, and convert potential opportunities into differentiated competitive advantages through strategic optimization, seizing development opportunities in the global automotive industry transformation.

3 Employment and Labor Practices

3.1 Employment

The Group strictly complies with national and local laws and regulations such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Regulations on the Prohibition of Child Labor, and the Social Insurance Law of the People's Republic of China. We also provide social insurance to employees in accordance with the Work-Related Injury Insurance Regulations of the People's Republic of China, the Unemployment Insurance Regulations of the People's Republic of China, and the Provisional Measures for Maternity Insurance of Enterprise Employees in Mainland China, including basic old-age insurance, unemployment insurance, maternity insurance, work-related injury insurance, and basic medical insurance.

The Group always adheres to the core value of "people-oriented," upholds the principles of diversity and inclusivity, and actively expands diversified talent attraction channels. We attach great importance to the construction of talent teams, establishing a systematic talent cultivation mechanism to tailor personalized career development paths for each employee. Simultaneously, we continuously improve the occupational health and safety management system, committed to providing employees with a safe and healthy working environment, facilitating their growth alongside the enterprise, and jointly achieving long-term sustainable development goals.

The Group has formulated the Human Resources Control Procedures to regulate processes such as employee recruitment and hiring, training, satisfaction surveys, job transfers or reassignments, and resignations. These procedures require regular reviews of employment terms and welfare policies to ensure full compliance with relevant regulatory requirements. Additionally, the Group has established a market-oriented talent management mechanism, continuously attracting outstanding individuals and building a high-caliber workforce through a competitive compensation system, a comprehensive appraisal system, and retirement benefits, thereby providing human resources support for the Group's strategic development.

The Group has also established the Employee Attendance and Leave Management Regulations, which standardize the application processes for various types of leave (personal leave, sick leave, marriage leave, bereavement leave, maternity leave, and work-related injury leave), as well as the approval authorities and leave cancellation procedures. Special care clauses have been set for sick leave and work-related injury leave to enhance employee care, maintain work order, and safeguard employee rights and interests, providing stable support for the Group's business operations.

In accordance with the Group's corporate strategy and human resource planning, the Human Resources Department is responsible for organizing and implementing regular and irregular talent selection processes, with the principle of conduction such selections once a year. Generally, employees are promoted in a step-by-step manner. However, for exceptional talents or employees who have made significant contributions or demonstrated outstanding performance, they may be promoted after exceptional approval by the General Manager. Department heads are responsible for proposing selection and promotion plans, which are then finalized by the Human Resources Department. The final promotion results are submitted to the General Manager for approval before implementation.

During the reporting period, the Group did not receive any complaints related to employment or violate any employment laws and regulations.

3.2 Health and Safety

The Group strictly complies with relevant laws and regulations such as the Law of the People's Republic of China on Safe Production, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Fire Protection Law of the People's Republic of China, and the occupational health and safety management systems issued by the International Organization for Standardization (ISO).

To standardize the Group's environmental protection, occupational safety, and occupational health behaviors during operations, management, staffing, activities, and services, aiming to reduce environmental pollution, conserve resources, prevent and eliminate various accidents, and safeguard employees' occupational health, we have formulated the "Environmental and Occupational Health and Safety Management Manual" based on the requirements of ISO 14001:2015 "Environmental Management Systems - Requirements with Guidance for Use" and ISO 45001:2018 "Occupational Health and Safety Management Systems - Requirements with Guidance for Use" standards, combined with the Group's actual situation. This manual comprehensively and concisely outlines the environmental and occupational health and safety policies, objectives, targets, organizational structure, responsibilities, authorities, and other core elements of our Group's system. It is of special significance to the establishment and operation of the system, serving as the guidelines and instructions for the Group to establish and implement the EHS management system. Furthermore, the manual requires strict compliance by all departments and authorizes the responsible departments to supervise, inspect, and assess, ensuring the scientific operation of the EHS management system and promoting the harmonious development of the Group's benefits with environmental and occupational health and safety.

The Group is committed to fully implementing the requirements of the Occupational Health and Safety Management System (OHS), clarifying work priorities, and formulating corresponding action plans to ensure effective execution. We continuously optimize the assessment and prevention mechanisms for occupational health and safety risks and enhance emergency response capabilities. The Group provides a healthy and safe working environment for all employees, contract workers, and other personnel related to business operations, ensuring their protection from potential health hazards and injuries. The Group has not suffered any work-related injuries resulting in losses during working hours in the past three recorded years, and the number of work-related deaths in each of the past three recorded years is zero.

During the reporting period, the Group did not identify any significant violations of relevant laws and regulations that had a significant impact on the Group.

3.3 Development and Training

The Group attaches great importance to employee career development, providing diverse learning and development opportunities, fostering an innovative and supportive work environment that inspires employee enthusiasm and ultimately achieves corporate and individual growth. The Group has formulated systems such as the "Human Resources Control Procedures" and the "Employee Training Management System," training all staff involved in product quality, environmental protection, and occupational health to ensure that their work processes and results comply with internal and external requirements and quality, environmental, and occupational health and safety management system standards. The aim is to continuously enhance employee capabilities and quality, environmental protection, and safety awareness through ongoing training, enabling them to competently perform their duties and ensure safety, thereby improving customer satisfaction and corporate competitiveness.

The Group has formulated systems such as the "Employee Selection and Promotion Management System" and the "Direct Personnel Promotion Incentive Regulations," covering the scope, principles, basic conditions, types, mechanisms, personnel management, probationary periods, and secondment period management of promotions. These systems encourage employees to be proactive, continuously improve their personal qualities and abilities, effectively enhance work performance, and provide employees with a good platform and space for promotion and self-development, fostering a fair, just, and open competition mechanism and building a learning-oriented enterprise.

The Group continuously improves its talent cultivation mechanism, formulating training plans each year based on business plans, job requirements, and employee capability enhancement needs. We design diverse and multifaceted training programs tailored to different job roles and levels, adhering to the principle of "internal cultivation primarily, supplemented by external introduction," conducting new employee orientation training, pre-job training, on-the-job training, dedicated training, and special training to continuously empower employees and create a dynamic learning organization. Simultaneously, we encourage employees to participate in academic and degree education related to their jobs, supporting their personal career development.

This year, the Group provided employees with comprehensive and multidimensional training, including general training (such as responsible marketing, data security and privacy protection, diversity, management, leadership, etc.), job-specific professional skills training (such as production, R&D, EHS, etc.), and training for employees at different levels (such as new employees, junior management, middle management, and senior management). The training programs are rich and diverse. Meanwhile, to ensure the effectiveness of learning, the Group has assigned training specialists to track the learning progress of trainees and collect feedback through questionnaires and offline interviews with trainees, continuously improving course content based on feedback results.

3.4 Labor Standards

The Group strictly complies with national and local laws and regulations such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and the Regulations on the Prohibition of Child Labor. We have formulated systems such as the "Forced Labor Prohibition Procedures" and the "Employee Recruitment Standards and Retirement System," clearly stipulating the prohibition of any unethical recruitment practices, including child labor and forced labor in the workplace, to fully respect and protect human rights, combat discrimination, prevent harassment, and safeguard labor rights and interests. The "Forced Labor Prohibition Procedures" apply to all employees of the Group.

The Group strictly complies with national labor laws and regulations, strictly reviewing applicants' identity documents during the recruitment process to ensure that no applicants below the legal working age are hired. If discrepancies are found between an applicant's information and their identity documents, the Group will not hire them. Simultaneously, applicants are required to provide proof of graduation and other supporting materials and confirm the authenticity of the information provided in the application form. If information fraud is discovered, the Group will terminate the labor contract in accordance with the Labor Contract Law. For key positions, the Group will conduct background checks with the applicant's consent. If discrepancies are found between the resume and the investigation results, the candidate will not be hired. Additionally, the Group purchases social insurance for new employees in accordance with the law, further screening out applicants who do not meet hiring requirements. The Group's recruitment process is rigorous, and there has never been a case of mistakenly hiring child labor. If illegally hiring of child labor is discovered, the Group will handle it in accordance with the law.

The Group's "Forced Labor Prohibition Procedures" clearly state that if an employee feels forced labor, they can report it to their department head or employee representative or submit written comments to the "Suggestion Box," which will be investigated and handled by the Comprehensive Management Department. After verification, an employee representative meeting will be convened to develop and announce a handling plan. These measures aim to create a fair, free, and human rights-respecting work environment, effectively safeguarding employees' legitimate rights and interests.

3.5 Compensation and Benefits

The Group has formulated policies such as the "Compensation Management System" and the "Performance Appraisal Management Measures" in accordance with relevant laws and regulations. The Group's compensation system is divided into two categories: annual salary (applicable to management personnel at or above the grassroots level) and monthly salary (applicable to non-management personnel below the grassroots level). The monthly salary system consists of wages (fixed salary + performance salary) + benefits (general benefits + social insurance benefits + labor protection benefits + other benefits). The performance salary is linked to employees' contribution value, work performance, and the company's economic benefits, thereby motivating employees' enthusiasm and subjective initiative, ensuring the maximization of employee personal value, and fully leveraging the incentive role of the compensation system for talent.

The Group always adheres to a people-oriented management philosophy, dynamically optimizing salary structures based on changes in macroeconomic factors such as national policies and price levels, industry and regional competition, changes in the company's development strategy, and the company's overall performance, ensuring that employee compensation is in line with market levels and adjusting it differentially based on individual performance. To further improve the talent incentive mechanism, the Group continuously optimizes the compensation system, effectively safeguarding employees' legitimate rights and interests, fulfilling the commitment to respecting labor value, and truly achieving a mutually beneficial and win-win situation of shared growth and development outcomes.

The Group is committed to enhancing the well-being of our employees and continuously improving their benefits and welfare. Our benefits system covers general benefits, social insurance benefits, labor protection benefits, and other benefits. General benefits include festival greetings and annual travel. Social insurance benefits comprise pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident fund. Labor protection benefits mainly provide protective equipment to ensure workplace safety.

In addition, the Group has specially set up other awards, including year-end bonuses, general manager awards, innovation awards, suggestion awards, talent scout awards, special awards, etc., aiming to comprehensively recognize employees' outstanding contributions, effectively stimulate employees' sense of ownership, encourage them to actively participate in corporate construction, and consciously maintain the brand image and pay attention to corporate development.

4 Responsible Operations

As a responsible enterprise, the Group always adheres to the principles of compliant operations and integrity, strictly complies with national laws and regulations, and has established a sound corporate governance system. We closely integrate business development with the Group's integrity values, compliance requirements, and the expectations of various stakeholders, continuously improving governance levels, effectively safeguarding the long-term interests of various stakeholders, establishing a good corporate image, and laying a solid foundation for the Group's healthy, stable, and sustainable development.

4.1 Supply Chain Management

Constructing a responsible, efficient, and environmentally friendly supply chain management system is a crucial cornerstone for the Group to achieve its sustainable development goals. The Group always adheres to the procurement principle combining a market-based pricing mechanism with comprehensive evaluation and bidding, ensuring fairness, impartiality, and transparency in procurement activities through scientific and rigorous processes. We actively collaborate with upstream and downstream supply chain partners, deepening cooperative efforts, jointly fulfilling social responsibilities, and striving to build a mutually beneficial, win-win, and sustainable supply chain ecosystem, laying a solid foundation for the Group's long-term development.

The Group has formulated systems such as the "New Supplier Development Management System" and the "Supplier Performance Evaluation Management Measures" to standardize and continuously improve supply chain management. The Group consistently adheres to the management approach of "seeking the market with quality," strictly implementing IATF:16949 quality management system certification. We will continuously improve the supplier management system, enhancing the comprehensive management level of the Group's supply chain in all dimensions.

The Group has established a dedicated Procurement Department that is fully responsible for the entire process of centralized management, including new supplier qualification, supplier performance management, and supplier evaluation.

- **Supplier Qualification Management:** We require all suppliers to hold IATF:16949 certification, comply with industry standards and ethical norms, adhere to EHS regulations, and provide environmentally friendly products and services, ensuring that their business activities do not significantly impact the environment. The Group has established a strict cross-departmental collaboration using the standardized "Prospective Supplier Assessment and Evaluation Form." Key evaluation criteria include but are not limited to operational risk management, quality management systems, technological and process capabilities, human resource allocation, production and testing equipment capabilities, tooling and fixture management, process control and continuous improvement mechanisms, warehouse and logistics management, and customer satisfaction indicators. This supplier access evaluation system ensures that suppliers' quality aligns with the Group's development requirements.

- **Supplier Performance Management:** The Group has established a comprehensive supplier performance monitoring mechanism, reserving the right to conduct safety and environmental inspections of suppliers. For suppliers violating relevant regulations, we will order rectification within a specified time and hold them accountable for corresponding violations. For suppliers failing to meet rectification standards or posing significant environmental and safety risks, we will immediately terminate cooperation, and they will bear all economic losses and legal consequences. This monitoring mechanism ensures the environmental compliance of the supply chain, effectively reducing operational risks.
- **Supplier Assessment Management:** The Group has formulated the "Supplier Performance Evaluation Management Measures", which outlines specific measures for supplier management and control. The evaluation combines monthly tracking with annual comprehensive evaluation, assessing suppliers based on three dimensions: quality performance (50%), business performance (30%), and delivery service performance (20%), using a 100-point deduction system. Suppliers are then graded using a grading system, resulting in A/B/C/D classifications. After cross-departmental approval, the "Monthly/Annual Performance Evaluation Form for Qualified Suppliers" is generated, serving as the basis for adjusting cooperation strategies.

4.2 Product Responsibility

The Group strictly complies with laws and regulations such as the Labor Law of the People's Republic of China, the Safe Production Law of the People's Republic of China, the Environmental Protection Law of the People's Republic of China, and the Contract Law of the People's Republic of China. Based on customer needs and national standards, we provide comprehensive product quality warranty commitments and after-sales service parts support. The company fully implements the IATF16949 quality management system, adhering to the quality policy of "technological innovation, continuous improvement, customer satisfaction, and pursuit of zero defects," dedicated to providing customers with high-quality products and services.

The Group has established a lifecycle quality management system covering product development, production, sales, and after-sales stages to ensure controllable quality and safety throughout the product lifecycle, in compliance with industry quality management systems and relevant regulations. During the reporting period, the Group continuously improved the quality management system throughout the product lifecycle (product development, production, sales, and after-sales) and continuously refined quality management models. We have formulated quality management documents such as the "Quality Manual," "Product Quality Advanced Planning Control Procedure," "Product and Process Safety Control Procedure," "Supplier Management Control Procedure," "Product Inspection Control Procedure," "Customer Service and Feedback Control Procedure," "Engineering Change Control Procedure," "Non-conforming Product Control Procedure," "Identification and Traceability Control Procedure," "Continuous Improvement Control Procedure," and "Document Record Control Procedure," and continuously improved the organizational structure, job responsibilities, and scope of the quality management system to effectively ensure strict control over product manufacturing processes and quality supervision procedures, preventing the production and release of non-conforming products.

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The Group has formulated the "Non-conforming Product Control Procedure," which details the control of all non-conforming products and suspicious materials discovered during the product formation process (including non-conforming incoming products, internal process non-conforming products, outgoing inspection non-conforming products, full-size inspection or test non-conforming products, and non-conforming products found during product audits), as well as customer feedback, to ensure that non-conforming products are not misused or released and that customer feedback is promptly addressed.

The Group has also formulated the "Customer Service and Feedback Control Procedure" to standardize product recall procedures and customer satisfaction survey processes. For product recall procedures, when the company receives complaints or audit information via telephone, email, or other channels, it is required to communicate with the complainant immediately and determine responsibility. If the company is determined to be responsible or responsibility is unclear, the Market Service Management Measures are immediately initiated, customer complaints are registered, and returned products are stored in the warehouse. Problem-solving processes are strictly implemented in accordance with the 8D Guidelines to ensure systematic handling. During the handling process, progress must be communicated to the customer in a timely manner, and the sales department ultimately coordinates financial and compensation matters based on the handling results.

In terms of improving customer satisfaction, the Group conducts annual satisfaction surveys covering all supply customers, distributing "Customer Satisfaction Evaluation Forms" through visits, letters, and telephone calls to evaluate from dimensions such as quality, price, delivery, and customer requirements, and optimizes service processes by synthesizing historical satisfaction data and actual production and operation. This procedure, through a closed-loop management mechanism, protects customer rights and interests and continuously improves service quality standards.

Additionally, to protect and safeguard customer privacy and intellectual property, the Group has established a Customer Privacy Protection Policy, stipulating the confidentiality of customer information (including technical information) and other customer-related data, as well as requirements for the confidentiality of customer products and technologies. The Group has also established a Document Record Control Procedure, stipulating management requirements for internal, external, and customer data. Since the Group's products are not sold directly to end customers, there is no need for promotion through advertising or product labels, and relevant product promotion activities are carried out by the Group's customers.

4.3 Research and Development and Innovation

The Group always regards technological innovation as the core driving force for promoting high-quality corporate development and fulfilling environmental and social responsibilities. The Group focuses on the strategic direction of "intelligence, lightweight, and low-carbon," continuously increasing R&D investment, focusing on R&D and technological innovation projects, deepening industry-university-research cooperation, and providing innovative solutions to support the green transformation of the global automotive industry.

In 2024, the Group successfully raised funds by issuing A-shares to specific investors, with a focus on investing in the following R&D and technological innovation projects: the technical transformation project for an additional annual production capacity of 600,000 sets of automotive intelligent steering systems, the construction project for automotive intelligent steering systems and key components, and the R&D center project for intelligent connected vehicle steering-by-wire technology. These efforts are dedicated to meeting the growing market demand for intelligent steering systems, enhancing the Group's core competitiveness in the automotive components sector, and promoting its strategic layout in the field of automotive intelligence.

The Group attaches great importance to collaborative development with partners and industrial chain cooperation. The Group has established long-term stable partnerships with multiple renowned automotive OEMs, driving technological innovation and industrial upgrading through close collaboration. Concurrently, the Group actively engages with universities, research institutions, and industry associations. For instance, the Group jointly established the "Intelligent Steering Joint Lab" with Zhejiang University and CATARC (China Automotive Technology & Research Center), conducting research projects including carbon footprint database development. The Group also participates in international initiatives such as the SAE (Society of Automotive Engineers) Low Carbon Working Group.

In 2024, the Group's R&D expenditure reached 159.7 million yuan, representing a year-on-year increase of 35.13% and accounting for 5.93% of revenue - a 0.57 percentage point decrease from the previous year. Investments were prioritized in core steering technologies such as electrification, intelligence, and automation. The Group's R&D personnel accounted for 21.81% of total employees. Additionally, 17 new patents were granted during the year, while the Group led or participated in formulating multiple national and industry standards, promoting alignment between industrial technical specifications and ESG requirements (e.g., Technical Requirements and Test Methods for Vehicle Steer-by-Wire Road Feel Simulators).

4.4 Protection of Intellectual Property

The Group consistently adheres to compliant operations and strictly follows intellectual property-related laws and regulations such as the Patent Law of the People's Republic of China and the Trademark Law of the People's Republic of China, making intellectual property protection a key priority. The Group deeply explores technological innovation points of key products, systematically advances patent layout and application efforts, and establishes a comprehensive patent protection mechanism. Simultaneously, the Group establishes and improves intellectual property risk prevention and control mechanisms, effectively preventing patent infringement risks through regular monitoring and assessment, providing a solid guarantee for the company's innovative development.

The Group has formulated the "Intellectual Property Management Measures" covering patents, technical secrets, trademarks, business secrets, copyrights (including computer software), and other intellectual property protected by national laws. The measures specify in detail the procedures and requirements for patent acquisition, maintenance, utilization, and protection, ensuring more scientific, standardized, and procedural intellectual property management.

The Group has established a systematic intellectual property management system, comprehensively promoting patent mining, application, and maintenance efforts. We focus on promptly converting R&D achievements into intellectual property assets, strictly following the regulations of the National Intellectual Property Administration of China for patent maintenance and management. Moreover, the Group's Intellectual Property Management Department closely collaborates with the R&D team, deeply exploring the core technologies of key products through regular technical exchanges and innovation assessments, continuously improving the patent layout, and constructing a competitive patent protection network.

4.5 Confidentiality, Privacy, and Data Protection

The Group regards data security and privacy protection as an important responsibility in its operations. At the institutional level, we have formulated information security and data protection systems such as the "Customer Privacy Protection System" and the "Customer Service Management System," comprehensively managing data protection and information security across all business areas of the Group, fully protecting the information and privacy data security of various stakeholders.

Simultaneously, we currently adopt measures such as minimized data collection (only acquiring necessary business data, prohibiting excessive collection, e.g., the sales department is not allowed to request customer ID numbers), comprehensive encryption (all internal documents, including email attachments, must be processed, opened, and encrypted through the company's encryption system. External transmissions must be approved by company leadership before sending), and access control (allocating access permissions based on different roles and positions, e.g., the Quality Department can only view quality data and issue resolution sections, not access customer targeting or sales information) for confidentiality, privacy, and data protection.

Furthermore, we irregularly conduct data security and privacy protection training and include information security education in the mandatory curriculum for new employee orientation training. For information security management personnel, we implement specialized information security management training, continuously enhancing their management quality and professional competence through systematic professional training. We also regularly conduct specialized information security management training for information security management personnel to continuously improve the management quality and competence of relevant business personnel. Simultaneously, we fully utilize the internal information platform to regularly publish information security risk warnings, protection measures, and daily work considerations, effectively enhancing overall employee information security awareness through normalized knowledge dissemination and significantly reducing information security risks caused by human factors.

4.6 Anti-Corruption

The Group regards business ethics management as a key priority in corporate governance, strictly following laws and regulations such as the Anti-Unfair Competition Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, and the Regulations on Anti-Money Laundering of Financial Institutions, as well as regulatory requirements. We have established a sound and effective internal monitoring and management system, formulated and continuously optimized a series of internal control systems covering the Group's various business processes, established a comprehensive audit mechanism, and effectively supervised anti-corruption, anti-bribery, whistleblowing, responsible marketing, and other business ethics-related matters, avoiding various improper, illegal, and fraudulent behaviors, and effectively preventing and controlling internal risks within the Group.

We continuously strengthen institutional construction, formulating various business ethics management systems, including the "Anti-Corruption Policy," the "Whistleblowing Policy," and the "Employee Handbook," setting requirements for all employees and stakeholders of the Group regarding anti-bribery, anti-corruption, and honest employment. In anti-corruption efforts, the Group adopts a zero-tolerance attitude, strictly prohibiting any corrupt, extortionate, fraudulent, or money laundering behaviors by employees, suppliers, customers, and all partners of the Group. The Group strives to promote an honest and upright corporate culture, foster an anti-fraud corporate culture environment, and encourage employees to abide by laws and regulations in their daily work and interactions. The Group also disseminates information on compliance with laws and regulations to all parties to obtain their recognition and respect.

Simultaneously, we have established an independent internal audit system compatible with the Group's development, by formulating and continuously optimizing the "Internal Audit System", strictly regulated matters related to commercial ethics audit work, and revised and improved relevant regulations such as auditor behavior guidelines, audit standards, and risk management procedures and guidelines for different positions. Additionally, the Group has certain requirements for auditors, requiring them to consciously enhance their anti-fraud awareness and technical competence, actively participate in knowledge and skill training, and prevent corruption incidents. Employees and management of the Group regularly receive anti-corruption training to enhance their anti-bribery awareness.

During the reporting period, there were no pending corruption lawsuits against the Group or its employees.

5 Community

5.1 Community Investment

The Group always adheres to the philosophy of "giving back to society and serving society," actively utilizing its resources and advantages to serve society and fulfilling corporate social responsibilities. We encourage employees to actively participate in various community activities and public welfare undertakings. We invest time, funds, and practical actions, coordinating resources to participate in disaster relief, health, and education-related initiatives.

During the reporting period, the Group prioritized social health and steadily expanded investment in public welfare activities. Beyond active participation in community programs, the Group contributed through diverse channels, including charitable donations (e.g., Red Cross donations), and charity fundraising (e.g., charity fundraising for ill employees).

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6 Company Performance and Data

The Group's environmental performance data and social performance data are as follows:

6.1 Summary of Environmental Performance Data

Index	Unit	2024		2023 (Include in Wuhu Sterling)	2022
		(Include in Zhejiang Shibao, Beijing Autonics, Erdos Sterling, and Feiyang Automotive)	(Not Include in Zhejiang Shibao, Beijing Autonics, Erdos Sterling, and Feiyang Automotive)		
A1 Emissions					
Greenhouse Gas (GHG)					
GHG Emissions (Scope 1)	tCO ₂ e	1,106	1,072	1,804	1,317
GHG Emissions (Scope 2)(Note 1)	tCO ₂ e	45,997.34	38,675.59	31,420.00	25,124.00
Total GHG Emissions (Scope 1 + Scope 2)	tCO ₂ e	47,103.03	39,747.44	33,223.00	26,440.00
GHG Emission Intensity(Note 3)	tCO ₂ e/10,000 yuan of annual revenue	0.1749	0.1834	0.1826	0.1907
Hazardous Waste					
Total Quantity of Hazardous Waste(Note 4)	Tonne	539.03	480.43	445.00	40.00
Hazardous Waste Intensity	Tonne/10,000 yuan of annual revenue	0.0020	0.0022	0.0024	0.0003
Non-Hazardous Waste					
Total Quantity of Non-Hazardous Waste	Tonne	1,290.71	1,062.00	1,212.00	1,234.00
Non-Hazardous Waste Intensity	Tonne/10,000 yuan of annual revenue	0.0048	0.0049	0.0070	0.0090
A2 Resource Use					
Energy Consumption					
Total Energy Consumption	KWh	61,441,765.84	52,203,038.93	46,165,490.00	36,317,133.00
Energy Intensity	KWh/10,000 yuan of annual revenue	228.11	240.81	253.73	261.95
Fuel Combustion(Note 2)	KWh	4,273,809.84	4,134,942.93	7,114,490.00	5,092,133.00
Purchased Electricity	KWh	57,167,956.00	48,068,096.00	39,051,000.00	31,225,000.00
Water Consumption					
Total Water Consumption	Tonne	87,892.17	61,572.00	52,798.00	49,230.00
Water Consumption Intensity	Tonne/10,000 yuan of annual revenue	0.3263	0.2840	0.2902	0.3551

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Index	Unit	2024		2023 (Include in Wuhu Sterling)	2022
		(Include in Zhejiang Shibao, Beijing Autonics, Erdos Sterling, and Feiyong Automotive)	(Not Include in Zhejiang Shibao, Beijing Autonics, Erdos Sterling, and Feiyong Automotive)		
Packaging Materials					
Total Packaging Materials Used	Tonne	1,271.50	1,250.00	1,302.00	438.00
Packaging Material Intensity	Tonne/10,000 yuan of annual revenue	0.0047	0.0058	0.0072	0.0032

Notes:

1. Refer to the latest supplement on the emission factors for purchased electricity in the Chinese mainland in the "Guide on Preparation of Environmental, Social and Governance Reports". (Using the statistical and conversion methods of 2023 data)
2. Refer to the conversion factors from the Energy Statistics Manual published by the International Energy Agency and the CDP Technical Notes: Conversion of Fuel Data to Kilowatt-hours.
3. In 2024, the Group's operating revenue was 2,693,468,867.27 yuan, year-on-year increase of 48.04%.
4. Due to enhanced environmental protection requirements, since 2023, grinding oil sludge generated during the production process, which contains cutting fluids, oils, and other chemicals, has been classified as hazardous waste.

6.2 Summary of Social Performance Data

Index	Unit	2024		2023	2022
		(Include in Zhejiang Shibao, Beijing Autonics, Erdos Sterling, and Feiyong Automotive)	(Not Include in Zhejiang Shibao, Beijing Autonics, Erdos Sterling, and Feiyong Automotive)	(Include in Wuhu Sterling)	
B1 Employment					
Total Workforce by Gender, Employment Type, Age Group and Geographical Region.					
Total Number of Employees	Person	2,224	1,986	1,650	1,323
By Gender	Male	1,782	1,589	1,344	1,078
	Female	442	397	306	245
By Employment Type	Full-time Employees	1,972	1,765	1,552	1,211
	Part-time Employees	1	1	0	0
	Temporary/Contract Workers	222	191	90	112
	Others	29	29	0	0
By Rank (Senior Management)	Male	19(79.2%)	15(78.9%)	16 (80.0%)	14 (73.7%)
	Female	5(20.8%)	4(21.1%)	4 (20.0%)	5 (26.3%)
By Rank (Middle Management)	Male	95(83.3%)	74(82.2%)	58 (80.6%)	51 (85%)
	Female	19(16.7%)	16(17.8%)	14 (19.4%)	9 (15%)
By Rank (The Number of General and Technical Staffs)	Male	1,668(80.0%)	1,436(81.2%)	1,270 (81.5%)	1,013 (81.4%)
	Female	418(20.0%)	333(18.8%)	288 (18.5%)	231 (18.6%)
By Age	Under 30 years old	930	820	515	367
	31 - 40 years old	740	690	588	511

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Index	Unit	2024		2023	2022	
		(Include in Zhejiang Shibao, Beijing Autonics, Erdos Sterling, and Feiyong Automotive)	(Not Include in Zhejiang Shibao, Beijing Autonics, Erdos Sterling, and Feiyong Automotive)	(Include in Wuhu Sterling)		
Employee Turnover Rate by Gender, Age group and Geographical Region.	41 - 50 years old	Person	353	294	342	272
	Over 50 years old	Person	201	182	205	173
	Chinese mainland	Person	2,224	1,986	1,650	1,323
By Region	Hong Kong, Macau, Taiwan and Overseas	Person	0	0	0	0
By Gender	Male	%	1,192(66.9%)	1,130(71.1%)	715 (53.2%)	525 (48.7%)
	Female	%	196(44.3%)	162(40.8%)	122 (39.9%)	87 (35.5%)
By Age	Under 30 years old	%	810(87.1%)	743(90.6%)	425 (82.5%)	270 (73.6%)
	31 - 40 years old	%	383(51.8%)	367(53.2%)	303 (51.5%)	221 (43.2%)
	41 - 50 years old	%	144(40.8%)	132(44.9%)	70 (20.5%)	97 (35.7%)
	Over 50 years old	%	51(25.4%)	50(27.5%)	38 (18.5%)	24 (13.9%)
By Region	Chinese Mainland	%	1,388(62.4%)	1,292(65.1%)	837 (50.7%)	612 (46.3%)
	Hong Kong, Macau, Taiwan and Overseas	%	0.0%	0.0%	0.0%	0.0%

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Index	Unit	2024		2023 (Include in Wuhu Sterling)	2022	
		(Include in Zhejiang Shibao,Beijing Autonics, Erdos Sterling,and Feiyong Automotive)	(Not Include in Zhejiang Shibao,Beijing Autonics, Erdos Sterling,and Feiyong Automotive)			
B2 Health and Safety						
The Number and Rate of Work-Related Fatalities in Each of the Past Three Years (2022-2024)						
Fatalities from Work Injuries	Person	0	0	0	0	
Fatality Rate from Work Accidents	%	0%	0%	0%	0%	
Lost Days due to Work Injury	Day	153	75	343	15	
B3 Development and Training						
The Percentage of Employees Trained by Gender and Employee Category						
By Gender	Male	%	1,782(80.1%)	1,589(80.0%)	1,344(81.5%)	1,074 (99.6%)
	Female	%	442(19.9%)	397(20.0%)	306(18.5%)	243(99.2%)
By Rank	Senior Management	%	24(1.1%)	19(1.0%)	20(1.2%)	13(68.4%)
	Middle Management	%	114(5.1%)	90(4.8%)	72(4.4%)	60(100%)
	General and Technical Staffs	%	2,086(93.8%)	1,769(94.2%)	1,553(94.4%)	1,244(100%)
The Average Training Hours Completed Per Employee by Gender and Employee Category						
By Gender	Male	Hours/Person	5.9	5.6	7.5	7.6
	Female	Hours/Person	6.0	5.6	7.2	7
By Rank	Senior Management	Hours/Person	2	1.9	7.5	11.9
	Middle Management	Hours/Person	8.2	7.0	13.2	10
	General and Technical Staffs	Hours/Person	5.8	5.6	7.2	7.4
B5 Supply Chain Management						

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Index	Unit	2024		2023 (Include in Wuhu Sterling)	2022
		(Include in Zhejiang Shibao, Beijing Autonics, Erdos Sterling, and Feiying Automotive)	(Not Include in Zhejiang Shibao, Beijing Autonics, Erdos Sterling, and Feiying Automotive)		
Number of Suppliers by Geographical Region					
Chinese Mainland	Number	526(97.6%)	370(96.6%)	269(99.3%)	327(99.4%)
Location of Suppliers Hong Kong, Macau, Taiwan and Overseas	Number	13(2.4%)	13(3.4%)	2(0.74%)	2(0.6%)
Number of Suppliers Subject To Employment Practices	Number	110	110	101	227
B6 Product Responsibility					
Total Number of Products Sold or Shipped					
Percentage of Total Products Sold or Shipped Subject To Recalls for Safety and Health Reasons	%	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Number of Products and Service Related Complaints Received	Number	2	2	30	32
B7 Anti-Arruption					
Filed/Adjudicated Corruption Litigation Cases	Number	0	0	0	0

7 Environmental, Social and Governance Reporting Framework Index

Key Performance Indicators of the Hong Kong Stock Exchange

Aspect	Disclosure	Corresponding Sections
Mandatory Disclosure Requirements	<p>Statement issued by the Board of Directors, containing the following:</p> <p>(i) Disclosure of the Board's oversight of environmental, social, and governance matters;</p> <p>(ii) The Board's environmental, social, and governance management policies and strategies, including the process of assessing, prioritizing, and managing significant environmental, social, and governance-related matters (including risks to the issuer's business);</p> <p>(iii) How the Board reviews progress against environmental, social, and governance-related targets and explains how they are linked to the issuer's business.</p> <p>Describe or explain how the following reporting principles are applied when preparing environmental, social, and governance reports:</p> <p>Materiality: Environmental, social, and governance reports should disclose:</p> <p>(i) The process for identifying significant environmental, social, and governance factors and the criteria for selecting these factors;</p> <p>(ii) If the issuer has engaged stakeholders, a description of the significant stakeholders identified and the process and results of the issuer's stakeholder engagement.</p>	1/1.1
	<p>Quantification: Information on the standards, methods, assumptions, and/or calculation tools used for reporting emissions/energy consumption (where applicable), as well as the source of conversion factors used, should be disclosed.</p> <p>Consistency: Issuers should disclose changes in statistical methods or key performance indicators (if any) or any other relevant factors affecting meaningful comparisons in environmental, social, and governance reports.</p> <p>Explain the scope of the environmental, social, and governance report and describe the process for selecting which entities or businesses are included in the environmental, social, and governance report. If the reporting scope changes, issuers should explain the differences and reasons for the changes.</p>	1/1.4
Explain Non-Compliance A. Environment	<p>Reporting Principles</p>	1/1.3
Aspect A1: Emissions	<p>General Disclosure:</p> <p>Policies related to exhaust gas and greenhouse gas emissions, discharges to water and land, and the generation of hazardous and non-hazardous waste; and information on compliance with relevant laws and regulations that have a significant impact on the issuer.</p>	2/2.1

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Aspect	Disclosure	Corresponding Sections		
Aspect A2: Resource Use	Key Performance Indicators: A1.1	Types of emissions and related emission data.	6/6.1	
	Key Performance Indicators: A1.3	Total amount of hazardous waste generated (in tons) and, where applicable, intensity (e.g., per unit of output, per facility).	6/6.1	
	Key Performance Indicators: A1.4	Total amount of non-hazardous waste generated (in tons) and, where applicable, intensity (e.g., per unit of output, per facility).	6/6.1	
	Key Performance Indicators: A1.5	Description of emission reduction targets set and steps taken to achieve them.	2/2.1	
	Key Performance Indicators: A1.6	Description of methods for handling hazardous and non-hazardous waste, as well as reduction targets set and steps taken to achieve them.	2/2.1	
	General Disclosure:	Policies for efficient use of resources (including energy, water, and other raw materials). Note: Resources can be used for production, storage, transportation, buildings, electronic equipment, etc.	2/2.2	
	Key Performance Indicators: A2.1	Total consumption of direct and/or indirect energy (e.g., electricity, gas, or oil) by type (calculated in kilowatt-hours) and intensity (e.g., per unit of output, per facility).	6/6.1	
	Key Performance Indicators: A2.2	Total water consumption and intensity (e.g., per unit of output, per facility).	6/6.1	
	Key Performance Indicators: A2.3	Description of energy use efficiency targets set and steps taken to achieve them.	2/2.2	
	Key Performance Indicators: A2.4	Description of any issues in accessing suitable water sources and the water use efficiency targets set and steps taken to achieve them.	2/2.2	
	Key Performance Indicators: A2.5	Total quantity of packaging materials used for finished products (calculated in tons) and, where applicable, the quantity per unit of production.	6/6.1	
	General Disclosure:	Policies for reducing the issuer's significant impacts on the environment and natural resources.	2/2.3	
	Aspect A3: Environment and Natural Resources	Key Performance Indicators: A3.1	Description of the issuer's significant impacts on the environment and natural resources from business activities and actions taken to manage these impacts.	2/2.3
	B. Social	General Disclosure:	Policies related to compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, and other benefits and welfare, as well as information on compliance with relevant laws and regulations that have a significant impact on the issuer.	3/3.1
	Aspect B1: Employment	Key Performance Indicators: B1.1	Total number of employees by gender, employment type (e.g., full-time or part-time), age group, and region.	6/6.2
	Key Performance Indicators: B1.2	Employee turnover rate by gender, age group, and region.	6/6.2	

Aspect	Disclosure	Corresponding Sections	
Aspect B2: Health and Safety	General Disclosure: Policies related to providing a safe working environment and safeguarding employees from occupational hazards, as well as information on compliance with relevant laws and regulations that have a significant impact on the issuer.	3/3.2	
	Key Performance Indicators: B2.1 Number and rate of work-related fatalities in each of the past three years (including the reporting year).	6/6.2	
	Key Performance Indicators: B2.2 Number of workdays lost due to work-related injuries.	6/6.2	
	Key Performance Indicators: B2.3 Description of occupational health and safety measures implemented and related enforcement and monitoring methods.	3/3.2	
Aspect B3: Development and Training	General Disclosure: Policies for enhancing employees' knowledge and skills related to their job responsibilities, as well as a description of training activities. Note: Training refers to vocational training and may include internal and external courses paid for by the employer.	3/3.3	
	Key Performance Indicators: B3.1 Percentage of employees receiving training by gender and employee category (e.g., senior management, middle management, etc.).	6/6.2	
	Key Performance Indicators: B3.2 Average number of training hours completed per employee by gender and employee category.	6/6.2	
	Aspect B4: Labor Standards	General Disclosure: Policies related to preventing child labor or forced labor, as well as information on compliance with relevant laws and regulations that have a significant impact on the issuer.	3/3.4
Key Performance Indicators: B4.1 Description of measures to review recruitment practices to avoid child labor and forced labor.		3/3.4	
Key Performance Indicators: B4.2 Description of steps taken to eliminate violations when they are discovered.		3/3.4	
Operational Practices	General Disclosure: Policies for managing environmental and social risks in the supply chain.	4/4.1	
	Key Performance Indicators: B5.1 Number of suppliers by region.	6/6.2	
	Key Performance Indicators: B5.2 Description of practices for engaging suppliers, the number of suppliers to which these practices are applied, and related enforcement and monitoring methods.	4/4.1	
	Key Performance Indicators: B5.3 Description of practices for identifying environmental and social risks in each link of the supply chain and related enforcement and monitoring methods.	4/4.1	
	Key Performance Indicators: B5.4 Description of practices for promoting the use of environmentally friendly products and services when selecting suppliers, and related enforcement and monitoring methods.	4/4.1	
	Aspect B5: Supply Chain Management	Key Performance Indicators: B5.2 Description of practices for engaging suppliers, the number of suppliers to which these practices are applied, and related enforcement and monitoring methods.	4/4.1
		Key Performance Indicators: B5.3 Description of practices for identifying environmental and social risks in each link of the supply chain and related enforcement and monitoring methods.	4/4.1
	Key Performance Indicators: B5.4 Description of practices for promoting the use of environmentally friendly products and services when selecting suppliers, and related enforcement and monitoring methods.	4/4.1	

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Aspect	Disclosure	Corresponding Sections
Aspect B6: Product Responsibility	General Disclosure: Policies related to the health and safety of products and services provided, advertising, labeling, and privacy matters, as well as remedial actions, and information on compliance with relevant laws and regulations that have a significant impact on the issuer.	4/4.2
	Key Performance Indicators: B6.1 Percentage of total products sold or shipped that required recall for safety and health reasons.	6/6.2
	Key Performance Indicators: B6.2 Number of complaints received regarding products and services and response methods.	4/4.2 6/6.2
	Key Performance Indicators: B6.3 Description of practices related to maintaining and safeguarding intellectual property rights.	4/4.2
	Key Performance Indicators: B6.4 Description of quality inspection processes and product recall procedures.	4/4.2
Key Performance Indicators: B6.5 Description of consumer data protection and privacy policies, as well as related enforcement and monitoring methods.	4/4.2	
Aspect B7: Anti-Corruption	General Disclosure: Policies related to preventing bribery, extortion, fraud, and money laundering, as well as information on compliance with relevant laws and regulations that have a significant impact on the issuer.	4/4.6
	Key Performance Indicators: B7.1 Number and outcome of corruption lawsuits filed against the issuer or its employees during the reporting period.	6/6.2
	Key Performance Indicators: B7.2 Description of prevention measures and whistleblowing procedures, as well as related enforcement and monitoring methods.	4/4.6
Community	Key Performance Indicators: B7.3 Description of anti-corruption training provided to the board of directors and employees.	4/4.6
	General Disclosure: Policies for understanding the needs of the community where the issuer operates and ensuring that its business activities consider community interests through community participation.	5/5.1
Aspect B8: Community Investment	Key Performance Indicators: B8.1 Areas of focus for contributions (e.g., education, environmental issues, labor needs, health, culture, sports).	5/5.1
	Key Performance Indicators: B8.2 Resources (e.g., money or time) allocated to areas of focus.	5/5.1