



Environmental, Social & Governance Report 2016



Tianjin Capital Environmental Protection Group Company Limited
天津創業環保集團股份有限公司

2016 Environmental, Social & Governance Report

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1. CHAIRMAN'S MESSAGE

The year of 2016 is the opening year for the strategy under the “13th Five-Year Plan” of Tianjin Capital Environmental Protection Group Company Limited (the “Company”, together with its subsidiaries, the “Group”). The Group closely follows the overall requirements of “Transformation, Innovation, Breakthrough, Development and Safety” to explore new ways to flourish and strengthen our standing in the environmental industry without compromising our goal that human beings could live peacefully with the natural environment. Such efforts reaffirm our strategic positioning as a provider of integrated environmental solutions both in our country and in the globe, bringing us closer to our vision of “returning clean water to the world, delivering fresh air to the earth”. Guided by the integrated strategic measures of being “technology-based, moderately expanding, capital-driven and protected by laws”, the Group’s market scale has improved with an expanded scope of operation, resulting in a steady growth in business. This marks an excellent start for our “13th Five-Year Plan” with wide recognition by the community as the Group has been awarded as one of the “China’s Top Ten Influential Enterprises in the Water Industry” for the past 11 consecutive years.

In 2016, following the Group’s comprehensive operational advantages such as integrity, conscientiousness, careful planning and operation with precise management, there are now more than 40 sewage treatment plants over 9 provinces operating up-to-standard, steadily, safely and efficiently. They have all become the main engines for energy conservation and emission reduction in their respective regions, and gained the trust of local governments and word of mouth in the market. Our production and sales of recycled water have provided the community an alternative source of water in place of tap water for miscellaneous household use and industrial cooling. In addition, the safe operation of our heating and cooling services driven by renewable energy has achieved the efficiency of clean energy.

In 2016, the Group has actively developed new markets and expanded our business scale. Successful bids included the sewage treatment projects in Anhui Fuyang Yingshang, Hunan Ningxiang and Xinjiang Karamay, which raises the scale of our water supply projects from 4.31 million cubic meters/day to 4.83 million cubic meters/day; our business areas now span from Tianjin, Guizhou, Yunnan, Anhui, Zhejiang, Jiangsu, Shaanxi, Shandong and Hebei and include Hunan and Xinjiang. Through asset acquisition and investment in infrastructure, we have facilitated the local economic growth. To meet with the requirements of the local governments where the projects are located, and to enhance water quality, we upgraded and modified our sewage treatment plants and stepped up our efforts in environmental governance. Our renewable energy projects have increased nearly 2 million square meters in scale. Technical service and entrusted operation projects for industrial sewage treatment and whole-process deodourisation of sewage treatment plants, are on the rise. Furthermore, we have been granted the Shandong Yishui industrial waste integrated disposal centre project, signifying the Company’s extension into the business of hazardous waste treatment.

We have also advanced our research and development (R&D) in environmental governance in 2016. The Group has concluded the efforts and results in our R&D and technological reform during the “12th Five-Year Plan” and highlighted the strategic importance of scientific and technological work to follow the strategy laid down in the “13th Five-Year Plan”. Initiatives to encourage R&D effort have been formulated with a better reward mechanism, especially in relation to the transformation of R&D accomplishments. This has created another wave of scientific and technological R&D and innovation.

In addition to ensuring the growth of revenue and business scale in 2016, we continue to reform and be innovative. We have upgraded our management standards and exerted appropriate control over management expenses, effectively reducing our financial costs, optimising profitability and creating the maximum value for our shareholders. Based on the changes to our organisational structure, a linear functional system for business was introduced and formed an organisational structure with three main components: business management, function management and supervision management. Work has progressed in improving the supervision of the internal control system and its workflow from management fees, legal audit, financial controls, contract enforcement and discipline supervision to better the internal risk management system from multiple angles, and to ensure that important decisions are well covered by laws so as to improve the ability to control risk by the Company. To pave the way for future business development and profit growth of the Company, we have made good use of the Company's listing status for financing, enhanced our issuer credit rating to AA +, issued a low-cost bond and advanced private placement to continuously strengthen our ability in capital operation and improve our balance sheet to build up a favourable image in the capital market.

In 2016, the Group remains committed to human resources management by providing staff promotion opportunities and training, aligning the company's prosperity with our employees. We constantly improve working conditions and the well-being of staff, insist on visiting workers in difficulty, and strengthen our employees' sense of belonging.

Looking ahead to 2017, the Group will continue to rely on our professional, responsible, cooperative and innovative team. We will enhance our reputation for being honest, responsible, standardised and stable. Also, we will take the initiative to proactively explore new markets, expand in scale and business line while ensuring that our establishment and operation would remain safe, stable, up to standard and efficient. We will explore multi-channel financing to secure sufficient fund and speed up the development of our R&D and transformation of achievements thereof so as to build up our core competitiveness, to prepare the Group to achieve its goals under the "13th Five-Year Plan", to actualise our mission to "purify the ecological environment, enhance living quality" and to create a win-win situation for all stakeholders with enhanced efforts in corporate social responsibility.

2. ABOUT US

2.1 Overview

Our vision: “returning clean water to the world, delivering fresh air to the earth”

Our mission: “purify the ecological environment, enhance living quality”

Our core values: provide professional and effective environmental services, establish a harmonious environment for staff development, and maximise value for shareholders

Tianjin Capital Environmental Protection Group Company Limited was established in January 2001, where the Tianjin Municipal Government restructured the then Tianjin Bohai Chemical Industry (Group) Company Limited and renamed it to its current name. The Company is the first water utilities corporation in the People’s Republic of China (the “PRC”) carrying out sewage treatment business in large scale and controlled by the state that is listed in both Shanghai and Hong Kong (A-share code: 600874; H-share code: 1065). It undertakes water utilities investment and operation that integrates investment, operation, management, research and construction to form a comprehensive group with full business chain. With the competitive edge and multiple advantages over water industries in the PRC and overseas, the Company is a pioneer and leader in the domestic environmental industry. Supported by its rich industry experience, professional and talented staff, satisfactory capital market operation and effective communication skills with governments, the Company has become a domestic leading provider of integrated environmental solutions and has established its reputation overseas.

As at 31 December 2016, the Group possessed total assets of RMB 10.64 billion with net assets of RMB 5 billion. It operates 15 functional departments, 31 controlling subsidiaries, and has 1,503 employees. Operating revenue was RMB 1.96 billion with a net profit of RMB 468 million. The Company’s businesses mainly include investment, construction and operation of sewage treatment plants, water recycling plants, tap water plants, and related technical and management services; investment, construction and operation of providing heating and cooling services with renewable energy; environmental technologies, R&D on facilities and equipment, and achievement transformation; treatment of industrial wastewater, sludge and solid waste; production and sales of chemical formula for water treatment plants, and toll collection.

In future, the Company will utilise its core competitiveness in its technology system and R&D capabilities. By providing our clients with sewage treatment and other related environmental solutions, we are devoted to supplying society with sustainable sources of clean water and services in the whole chain led by technology, to establish a new image of domestic leading and internationally renowned service provider of integrated environmental solutions. We are versed in adopting flexible and innovative ways with variety to meet the needs of society, enterprises and clients by building a recycling system for water, creating a win-win situation.

2.2 Principal Businesses Performance and Strategic Planning

The Company has been active in exploring water markets, while adhering to the guiding principle of “serving the nation with Tianjin as our home base”. As of the end of 2016, the size of our water market reached 4.83 million cubic meters per day. This includes, our sewage treatment capacity of 4.39 million cubic meters per day and a

production scale of tap water and recycled water of 200,000 and 240,000 cubic meters per day respectively. Of which, our sewage treatment and water recycling capacities out of our equity investment in Tianjin were 1.915 million and 190,000 cubic meters per day respectively. For areas other than Tianjin, our sewage treatment capacity was 1.755 million cubic meters per day, the capacity of tap water and recycled water was 200,000 and 50,000 cubic meters per day. Projects entrusted for our management in Tianjin and some other areas achieved 720,000 cubic meters per day in scale. In the renewable energy segment, the Company has supplied heating and cooling services for 2 million square meters in Tianjin.

With 2016 being the commencement year of the “13th Five-Year Plan”, the Company has formulated a thorough strategic plan and a new five-year development plan after analysing the internal and external environments. The overall development would be “technology-based, capital-driven, moderately expanding and protected by laws” with a strategic aim to become a domestic leading and internationally renowned service provider of integrated environmental solutions. The Company will take the initiative and be more proactive in business development: actively promote and expand business and create a proactive image in business development; actively seek strategic alliances and explore innovative ways of financing to create a liberal image in the capital market; promote our corporate and market positioning as well as upgrade our all rounded competencies.

2.3 Core Competencies

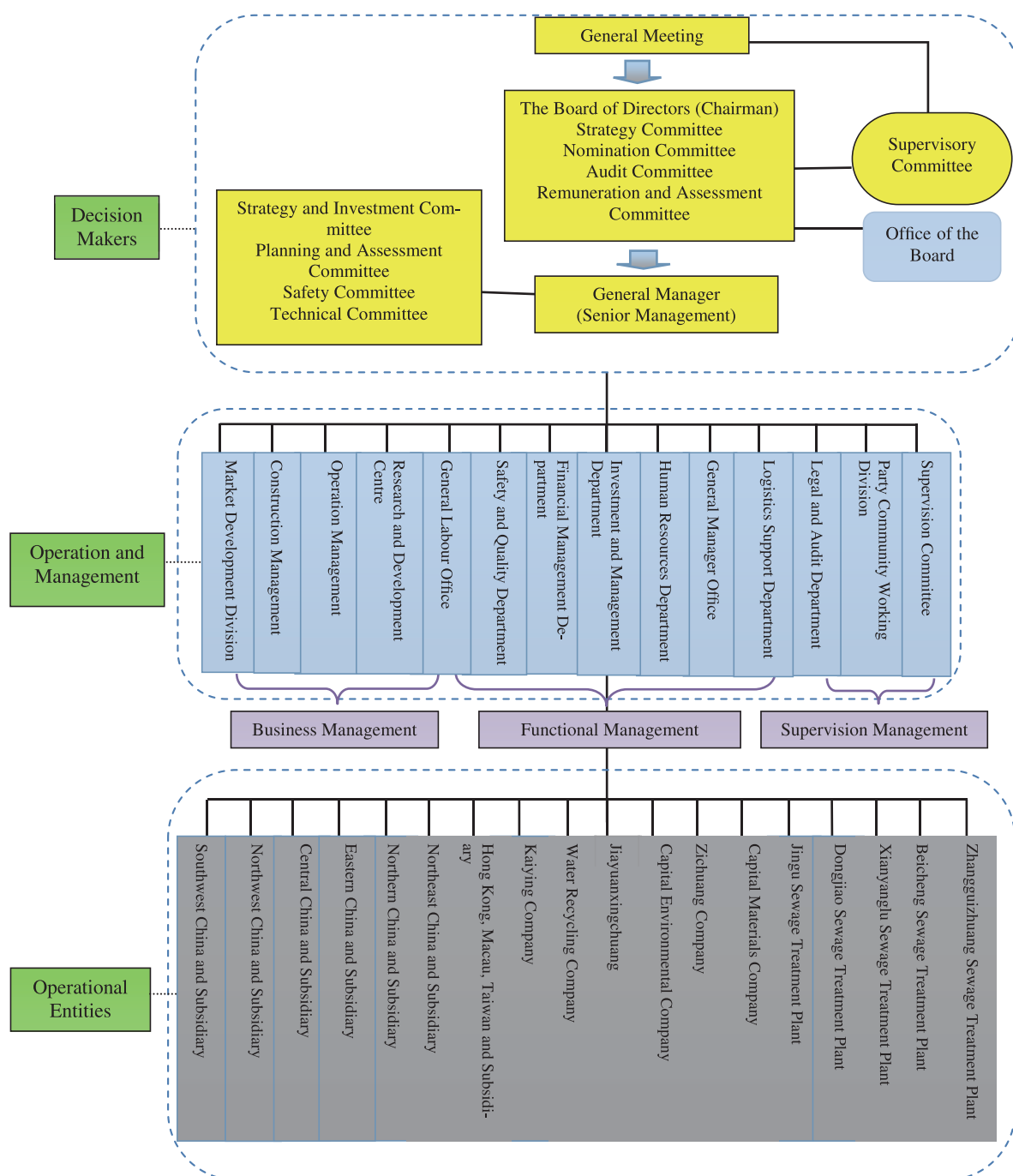
The Group’s core competitiveness lays in the following four aspects: (1) our ability to operate in a safe, stable, up-to-standard and efficient manner; (2) our practical, leading, flexible and sustainable R&D capabilities; (3) our professional, dedicated, cooperative and innovative staff; and (4) our reputation for being trustworthy, responsible, standardised and reliable. These four advantages complement one another in which corporate integrity, employees’ diligence and technological innovation reassure customers and lend weight to the Company’s positive brand influence.

In 2016, the Company strengthened its market position and improved overall competitiveness. There was significant progress in market development with the successful bid of the Karamay project in Xinjiang, which expands our strategic layout in terms of national reach. With regard to business development, we continued our effort in water utilities and the heating and cooling service provided from renewable energy. We also branched out into hazardous waste management, which has comprehensively improved our ability in providing integrated environmental services. For R&D, we insisted on a market-oriented approach, and have constantly refined our research capabilities and system. Effort has been particularly put on aspects such as sewage, sludge, deodourant and microbial agents. The results will add to the technology reserves for our future development.

2.4 Corporate Governance and Organisational Structure

The Company strictly complies to the PRC Company Law and other relevant laws, regulations and article of association to establish a proper corporate governance structure. Shareholder meetings, board meetings, and the supervisory committee of the Company operate independently and effectively in accordance with the Company’s articles of association. The four professional committees established under the Board of Directors are respectively

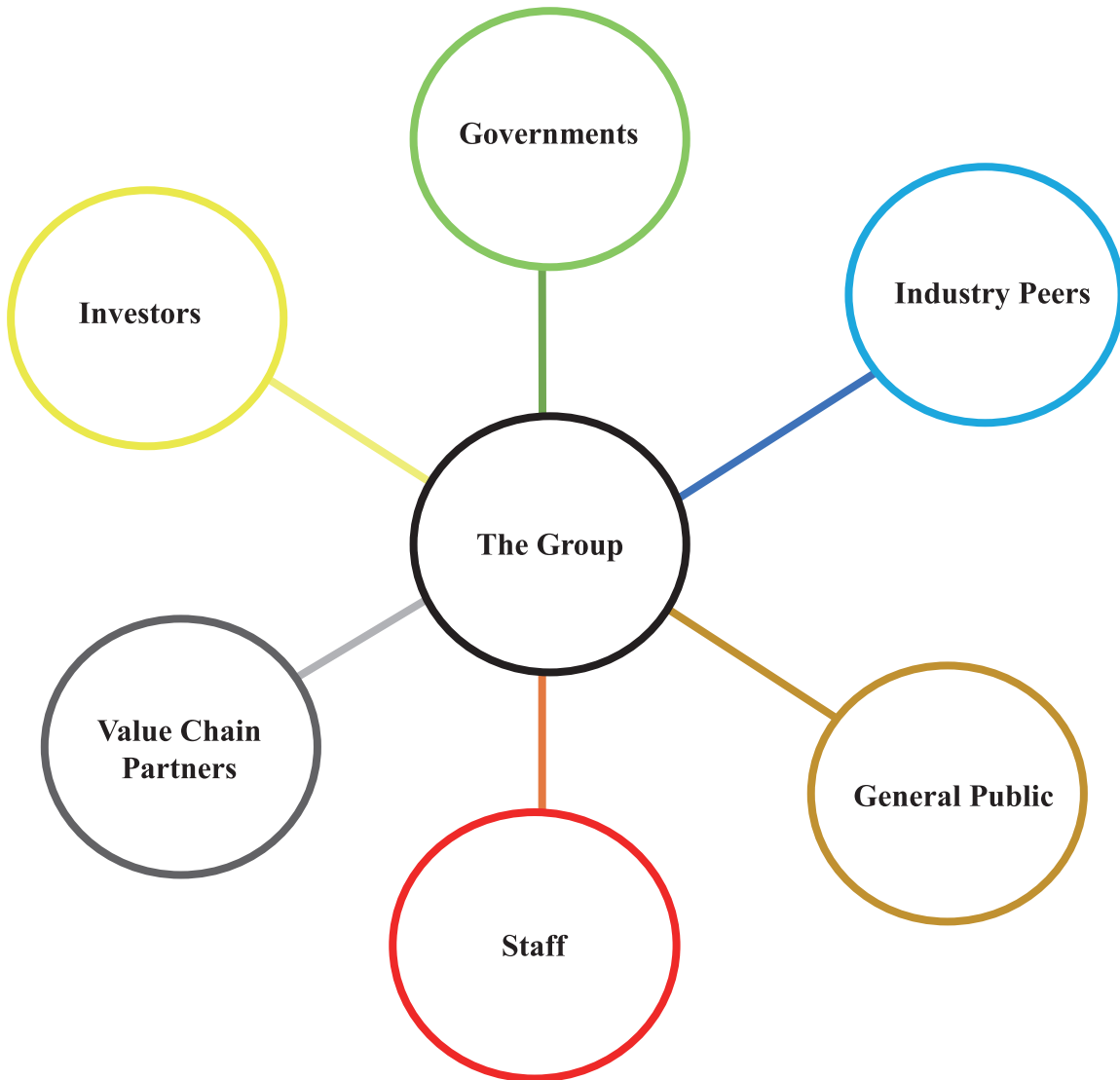
responsible for the Company's financial and internal audit matters, the developmental strategies, planning and assessment for the Company, and the nomination of directors and senior executives, etc. On the systems regarding personnel management and financial management, the Company aligns to the Labour Law of the PRC and financial and tax regulations. A strict approval process by different grades is adopted in important matters such as personnel appointments and removals, performance appraisals, financial approvals and investment audits, thus establishing an effective internal risk control mechanism. At present, the organisational structure of the Company is as follows:



2.5 Stakeholders

As a publicly traded company, we place emphasis on satisfying the needs of the stakeholders and feedback about relevant information, to achieve a win-win situation for different parties during our corporate development progress.

The stakeholders of the Company mainly consist of 6 parties, namely governments, investors, industry peers, general public, value chain partners and staff.



The governments' guidance, support and supervision are the criteria and starting point for all business activities of the Company. At the same time, we have successfully secured some local governments to become our clients and service targets. The Company strictly observes various laws and regulations, accepts the governments' supervision and guidance, and also renders sewage treatment and other integrated environmental services to the governments.

The general public is the ultimate beneficiary of our services, who also oversees our work and shares the fruits thereof. With environmental protection as our principal business, our growth and development is directly linked to social responsibility maximisation. Moreover, as the Company is public-listed, the general public could also share the wealth brought by our business growth through investment in our shares.

Investors are the driving force for our development. In line with the Company's responsible attitude towards shareholders, we disclose information in an accurate, correct, complete, timely and fair manner. Communication is made smooth through channels such as roadshows, investor forums, our investor communication platform and other activities. By the same token, we work hard to strive for bringing more returns for our shareholders.

As for industry peers, we compete in a wholesome and orderly manner, with a rational attitude. We partake in industry forums, alliance meetings and other forms of communication to boost the competitiveness of the industry and promote the growth of the environmental industry across the PRC.

Our value chain partners include manufacturers involved in the provision of products and services and manufacturers in the whole supply chain (both upstream and downstream processes), banks and intermediaries in the capital markets, etc. The Company cultivates a harmonious and collaborative relationship with them sincerely for the benefits of all.

Our employees are the creators of the Company's worth and at the same time, they are the beneficiaries of our development too. We have established a standardised staff congress system and offered comprehensive protection, training and career planning, etc. to share with our staff the fruits from our corporate development and reinforce harmonious labour relations.

3. ESG IMPLEMENTATION AND PERFORMANCE

3.1 Environment

As a renowned company in the environmental industry, the Company undertakes to meet the emission standards, provide quality water, and to enhance the implementation of environmental policies. The Company upholds the guiding principle of sustainable development when making decisions with regard to our operation. We prioritise the harmonious coexistence between man and nature over the single-minded pursuit of economic gains. We effectively started internal training about ecology and the environment to consolidate our staff's awareness to maintain ecological health and safety of our environment, and become self-motivated in environmental protection. We encourage our employees to start from little things in their daily life and to actively take part in social activities in building our ecological environment, so as to benefit fellow citizens and society.

This Environmental, Social and Governance (ESG) Report has been written in accordance with the ESG Reporting Guide, issued in 2015, as set out in Appendix 27 of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited. Its purpose is to disclose the Company's policies and performance in the aspects of environment, social and governance from 1 January 2016 to 31 December 2016.

In 2016, the Company has delivered exceptional performance in ESG aspects. The Company was recognised amongst "China's Top Ten Influential Enterprises in the Water Industry" and we have also received the Tianjin May 1 Labour Certificate, with two employees, Li Yu Qing and Zhao Ling, each being presented with the Tianjin May 1 Labour Medal. The management team of the energy station in Tianjin Cultural Centre from Jiayuanxing, together with the management team of Xianyanglu Sewage Treatment Plant were awarded the Tianjin Safe Construction and Management Showcase – Outstanding Team Award. The marketing branch of Water Recycling Company was rewarded as the Tianjin Excellent Quality Services Advanced Unit. Last but not least, Guizhou Company was presented with the honour of "Worker Pioneer" of Guizhou Province by the Guizhou Federation of Trade Unions.

The Group's performance on (A1) emissions, (A2) use of resources, and (A3) the environment and natural resources is now reported as follows.

A1. Emissions

As our country has joined the emission mitigation plan under the Paris Agreement in order to alleviate the problems brought by global climate change, the Group has attained the ISO14000 international standard already and has formulated an overall environmental management mechanism in accordance with the standard. The Operation Management Department of the Company is responsible for policy-making with regards to discharges into water and soil, and the production of hazardous and non-hazardous waste as well as the monitoring of discharged sewage, sludge, gaseous pollutants and noise.

As a renowned company in the environmental industry, the Company insists on the vision of sustainable development through tremendous input in R&D and strict compliance with the national emission standards. The Group also insists to minimise solid, liquid and gaseous emissions in the operations of our sewage treatment plants, while purifying the water effectively, so as to endorse our country's commitment to emission mitigation and to fulfil our own commitment to environmental protection in full strength.

As devoted to becoming the domestic leading service provider in integrated environmental solutions, during the reporting period, the Company has continued its environmental protection ideology and adopted a series of measures targeting on the emissions of greenhouse gases, gaseous pollutants, wastewater and sewage sludge produced in the operation process. The Company made substantial investments in scientific research to improve the treatment technologies for sewage and sludge. At the same time, the Company has built a strict monitoring system for emission upon the national standards, to minimise different forms of emission. During the reporting period we have achieved the set targets in minimising greenhouse gas emissions and gaseous pollutants, treating effluents to comply with all national standards and reducing, detoxing and recycling sludge.

Low-carbon Operations

The Company is concerned about the impact on human beings due to global climate change caused by greenhouse gases, therefore, the Company strictly monitors gaseous emissions during the operation process such as ammonia, hydrogen sulphides and odour to minimise their concentration and keep the air fresh. The Company has also formulated an air pollution control plan with a regular inspection mechanism to effectively reduce the use of fossil fuels in the operations of our sewage treatment plants, water recycling plants and tap water supply plants. The Company also commits to developing the use of renewable energy to reduce the emission of greenhouse gases. In addition, we have limited business travel to lower our carbon footprint.

Effluents Standards

Sustaining a high quality of treated effluents to reach all applicable standards is a central task of the Company. Being responsible to the environment, the Company has invested in innovative technologies and strengthened operation management while ensuring all our sewage treatment, water recycling and tap water plants are operating up-to-standard. The continuous improvement in treatment techniques and upgrading refine the quality of water output, save more energy and reduce emissions, thereby improving the quality of the environment.

During the reporting period, the overall sewage treatment capacity of the Company (excluding entrusted operations) was 1.064325 billion cubic meters with sales of tap water at 41.148 million cubic meters and sales of recycled water at 21.511 million cubic meters. The quality of all treated effluents has achieved the required standards. For the year 2016, the Company has successfully reduced COD pollutants by 391,100 tons, of which 242,800 tons were from Tianjin and 148,300 tons from other provinces. In addition, NH₃-N pollutants were reduced by 39,000 tons, of which 22,900 tons were from Tianjin and 16,100 tons from other provinces. These accomplishments have supported the nation's work in energy saving and emission reductions, as well as bringing ecological benefits to Tianjin.

The Company guarantees the treated effluents could satisfy all legal requirements. The Company has conducted research projects targeted at different sewage types to study in depth the treatment technologies for different water sources with different water pollutants and to continuously improve our sewage treatment technologies. The Company has even created a library of purifying technologies used for every type of sewage, so as to raise the standard of water output for all sewage treatment plants of the Company and support the nation's effort in emission mitigation. During the reporting period, all of our sewage treatment plants, water recycling plants and tap water supply plants have stringently adhered to the following standards:

- Water Quality-Determination of Sulfides (GB/T17133-1997), (HJ/T60-2000)
- Water Quality-Determination of the Chemical Oxygen Demand (GB11914-89), (HJ/T 399-2007)
- Water Quality-Testing for Fecal Coliform from “*Water and Wastewater Quality Determination Methods 3rd & 4th editions*” published by China Environmental Science Press (Interim Measures)

While all of our sewage treatment plants have improved the standard of our water output, the Company has strived to minimise unnecessary sewage discharges during the operation. A wastewater monitoring mechanism pursuant to “Management Procedures of Non-compliance, Correction and Prevention” (CEP.QEHS.P14) and “Control and Inspection Procedures for Safety (Environment) (CEP.QEHS.P08) was established and being implemented by different departments with an aim to reduce emission. During the reporting period, the wastewater from operation, household and experiment could always meet the set emission standard after purification.

In 2016, the Company has conducted a lot of research for the steady operation of sewage treatment plants, energy saving, consumption reduction, the reduction, stabilisation, detoxication and recycling of sludge, as well as improvements on sewage treatment techniques and other areas. The Company pushed forward projects such as the comprehensive technological research on the treatment and stable operation of recycling sludge from large urban sewage treatment plants, and demonstration of sewage treatment, the microbial agents for sewage treatment as well as the application of supporting technologies. These projects accelerated the achievement transformation process and contributed to our technical reserves for future development.

The Company invested RMB 3.1417 million in new technologies and started 23 projects on various technological subjects and 14 projects on technological transformation with the objective to achieve “stable operations of sewage treatment plants”, “sludge reduction during operation”, “new products and treatment technologies for sewage treatments” and “energy conservation and emission reduction”. These subjects are progressing well and have reached our expectations.

The subject “Microbial Agents for Sewage Treatment and Application of Supporting Technology” has been developed into two research areas, namely the coalification and coking of wastewater treatment and paper-making wastewater treatment. For coalified wastewater, the pre-treatment with strengthened biochemicals and advanced treatment techniques were founded. For coking wastewater, we have signed an agreement for modification and entrusted operation of the Shandong Shengyang Coking Wastewater Treatment Plant and improved cyanide removal and COD degradation rates of the biochemical system. In terms of the paper-making wastewater treatment, in conjunction with the Shandong Pangtuan Paper-making Wastewater Treatment Plant which is an entrusted operation project, after its modification, we have conducted a production test to further improve the bacteria formula to produce moulded products and provide methods for use, etc.

Reduction, Hazard-free Treatment and Reutilisation of Solid Waste

The Company is committed to the reduction of sewage sludge generated during our operations and its non-hazardous disposal and recycling to alleviate soil pollution. Sludge is the main solid waste generated during sewage treatment, so the Company takes a proactive approach to setting a number of methods in handling sludge. In particular, effort was put in scientific research to improve sludge treatment technology so as to minimise the negative impact of sludge discharges to the environment. Research achievement includes the size reduction of sludge, decline in sludge production during sewage treatment and stabilisation and detoxication of sludge with the aim to bring sludge back to the natural environment safely, and even to recycle them. This research results have provided the Company with usable sludge treatment technologies in reality.

During the reporting period, the dehydrated sludge discharges from sewage treatment plants complied with the requirements in the “Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant” (GB18918-2002) as always, and was transported to sludge treatment units to undergo further treatment using the technique of “high-efficiency digestion, frame filter dehydration and drying” for ensuring compliance with the standards laid down in the “Disposal of Sludge from Municipal Wastewater Treatment Plant - Quality of Sludge Used in Land Improvement” (GB/T 24600-2009) and the “Disposal of Sludge from Municipal Wastewater Treatment Plant - The Quality of Sludge Used in Gardens or Parks” (GB/T 23486-2009). The sludge underwent detoxication treatment, so that no secondary pollution would be caused when the sludge returned to the natural environment.

The Company joined with the North China Municipal Engineering Design and Research Institute, Tianjin University, Tongji University, Jiangnan University, and Shenzhen Graduate School of Harbin Institute of Technology in the 2015 water patent subject - “Integrated Research on and Demonstration of Urban Sewage Energy Development and Depth Control Technology of Nitrogen and Phosphorus”(2015ZX07306001). The research work has been commenced as planned.

The subject of “Comprehensive Technology Research and Demonstration of Sludge Recycling from Large-scale Urban Sewage Treatment Plants and its Safe and Stable Operation” experimented with highly efficient anaerobic digestion in sludge to a bio-energy resources technology which has been applied to a model project. The demonstration of highly efficient anaerobic digestion of high concentration municipal sludge has been completed, with an operating scale of 800 cubic meters per day. The project has been successfully tested for more than 12 months with remarkable results in sludge utilisation.

The subject of “Research and Application of the Technology to Reduce Sludge from Pharmaceutically Produced Wastewater” has completed the interim test for pharmaceutical industry sludge drying, during which the technology steadily reduced the water content of sludge from 91% to below 15%. This technology can significantly decrease sludge volume from pharmaceutical wastewater with practical application possibility and has been endorsed by the industry.

Research work has been completed for the project of “Beautiful Tianjin: Study on Integrated Technology in Sludge Recycling and Disposal, and Safe and Stable Operation of Large-scale Urban Sewage Treatment Plants”. The project was a collaboration between Kaiying Company with Chengjian University and North China Municipal Engineering Design & Research Co. Ltd. Work on financial audit is now in progress.

A2. *Use of Resources*

In 2016, the Company has registered 15 patents, 9 of which were invention patents and the remaining 6 were utility model patents. In the same year, the Company was granted 12 patents, including 3 invention patents and 9 utility model patents. All these enhanced the Company’s influence in the industry.

The Company realises that prudent use of resources can save our operating costs and ease the demand for natural resources by human activities. To achieve a better use of resources such as energy and water, the Company has integrated the resource control and protection plan in accordance with the Energy Conservation Law of the PRC and the 5R principle (i.e. replace, reduce, recycle, recover and reuse). The measures for transforming sewage to recycled water and the measures to recycle sludge prove the Company’s determination in this aspect. These measures for environmental protection and energy conservation are taken seriously by all staff including the management to promote a green corporate culture and to further our mission of “to use resource only when necessary and not to waste any if it could be saved”.

The Company implements an integrated top-to-down resource control plan for energy saving in full strength, with participation of all staff members. The management formulated a plan for sewage treatment plants for energy saving and better efficiency in the use of resources. The approved plan will be implemented by the technical and administrative units of the sewage treatment plants. The relevant departments will then plan their usage in energy and other resources accordingly, binding on all the departments. All units of different levels will work closely to achieve our vision of energy conservation.

With regard to the “Management Procedures of Non-compliance, Correction and Prevention”, the Company has established a monitoring mechanism to closely supervise the execution of the resource control plan to ensure resources are put to their best use. The plan requires every department to maintain statistics on energy and resource consumption where the data could help improve the use of resources and to eliminate wastage.

The Company knows that a good energy and resources conservation mechanism is only the first step for environmental protection, and the more important aspect remains to be the execution and cooperation from all departmental units and staff. Therefore, the Company emphasises on cultivating environmental awareness among the staff, in addition to the monitoring of the implementation of the environmental protection plan. We encourage our staff to use resources such as water, energy and paper efficiently, and promote water conservation, electricity saving, choosing energy-efficient appliances and minimising the use of paper.

The resource protection policy aims at saving energy, reducing uses of resources, recycling and reusing water and reducing waste. Concrete measures include arranging lights in zones, adopting LED lighting systems, turning off lighting in common areas at night, maintaining the room temperature at 25 to 26°C, recycling policy for certain materials, printing on both sides of the paper or even going for paperless.

The environmental protection principle and related measures have enabled the Company to meet our annual objectives for water and energy consumption in 2016, in which our electricity consumption has notably attained the annual target set for electricity conservation. The use of energy has significantly reduced and the target “to use resource only when necessary and not to waste any if it could be saved” was met.

A3. The Environment and Natural Resources

As sewage treatment plant is one of the crucial facilities in environmental protection projects, the construction and operation of all sewage treatment plants by the Company were made in strict compliance with the environmental assessment procedures, so that the effects to the surroundings, such as dust, noise, odour and sludge could be under control during the construction and operation process.

In the beginning stage of a construction project, the Company would actively embark on the environmental assessment, submit the assessment to the Environment Protection Department for approval in accordance with the approval procedures, and then carry out the design work according to their feedback.

During the construction stage of the project, environmental problems such as dust, noise, discharge of wastewater and solid waste would all be controlled in accordance with the national requirements and that of Tianjin City with regards to environmental protection. Proper measures would be adopted to minimise the impact on the environment arising from the construction.

During the operation and management process, the Company is committed to controlling the odour and noise emitted from the sewage treatment plants. The Company focuses its research power and invests in the research of odour control, as well as using its own capital to manage the main source of odour. Moreover, all subsidiaries would actively carry out the green plan for plant areas to lower the noise level, eliminate odour and to dispose of the sludge, so as to improve the well-being of the residents in the area and promote harmonious community development.

Being an integrated environmental solutions provider, the Company bears the vision of environmental protection, and will try our best to build a harmonious environment with our services. In accordance with the Environmental Impact Assessment Law of the PRC, we have established a comprehensive environmental management mechanism, which seeks to minimise negative environmental impacts brought by our business operation. The mechanism includes robust environmental impact assessments, the monitoring system for pollutants, measures for classification and treatment of solid waste and risk management of major hazards. Simultaneously, the Company will continue its efforts in developing technologies and the use of renewable energy to alleviate the demand for traditional energy sources.

Comprehensive Environmental Impact Assessment

The Company has adopted the Environmental Protection Law of the PRC to be our guiding direction when conducting comprehensive environmental impact assessments on different projects, to ensure our sewage treatment and construction projects could sit in well with the natural environment. Before the building of water plants, the Company aligns its standards with the “Regulations on the Design of Construction Project – Environmental Protection” and performs a comprehensive environmental impact assessment to address all potential environmental risks and to seek approvals from all relevant environmental protection departments in accordance with the approval procedures. Furthermore, environmental assessments for dust, noise, odour and sludge generated during the construction and operation of sewage treatment plants are required in the procedure and measures will be conducted to minimise potential adverse impacts imposed during various stages including site selection, design, construction, operation and management of a plant and to achieve a green community with lowered noise, odour and sludge, thereby safeguarding the well-being of the residents around.

Strict Monitoring to Prevent Environmental Pollution

The Company has a strict environmental monitoring system to prevent pollutions or any negative impact brought to the environment during the sewage treatment process. The content of the monitoring system is guided by those standards set in the “Prevention and Control of Water Pollution Law”, the “Prevention and Control of Atmospheric Pollution Law”, the “Prevention and Control of Environmental Pollution by Solid Waste Law” and the “Prevention and Control of Pollution from Environmental Noise Law” in the PRC, which have provided the basis for our controls against water, air, solid waste and noise pollutions. By setting up checkpoints along the sewage treatment process, the comprehensive monitoring ensures full compliance with applicable national environmental standards and minimises solid waste, water, air and noise pollutions.

Classification and Treatment of Solid Waste

The Company classifies the hazardous and non-hazardous solid waste produced during operation and takes proactive measures to recycle them. The administration centre of the sewage treatment plants will divide those solid waste into two categories, namely, recyclable and non-recyclable (including hazardous waste). They will be further classified and passed to different departments for handling and review under supervision. The recyclable will be reused to the greatest extent where possible, and the hazardous wastes will be properly handled, so as to minimise pollution and impacts on the environment.

Major Hazards Risk Management

The Company adopts a proactive approach with robust risk management measures in place to eliminate the potential environmental risks of major hazard installations during sewage treatment process. Major hazards include those production and operation activities that may lead to death or injury and situations where damage would be caused to the environment. The Company pays close attention to the safety management of oil and hazardous chemicals, where the relevant department in charge of hazardous chemicals will follow the “Management Procedures of Oil and Hazardous Chemicals” (CEP.QEHS.P22) to supervise all uses in relevant departments, thus reducing the potential pollution to the environment when those hazardous chemicals are used.

Developing New Energy Business

The development direction of the Company rests with the new energy business, and the Company is committed to replacing traditional energy with renewable energy in its business. The Company has been proactively developing our business using renewable energy and specifically started some projects focusing on energy conservation and exploring new energy technologies. The Company has accumulated rich experience in delivering heating and cooling service from new energy over an area of 2 million square meters in Tianjin, which set a standard for the clean energy industry and put the low-carbon business model into practice.

3.2 Social

Sections below detail the reports of the Company in terms of employment(B1), health and safety(B2), staff development and training(B3), labour standards (B4), supply chain management(B5), product responsibility(B6), anti-corruption activities(B7), and community investment(B8).

B1. Employment

The Human Resources Department is responsible for the Company’s policies of remuneration and dismissal, recruitment and promotion, working hours, annual leaves, equal opportunity, diversity, anti-discrimination, other welfare benefits to comply with relevant laws. With the belief that employees are the most valuable asset to the Company and the key to success, the Company adopts “people-oriented” management and emphasises on the importance of employees’ rights and benefits. The Company implements a fair recruitment mechanism and adopts an impartial attitude to attract talents. All employees are entitled to a comprehensive pay and benefit system, and retirees are provided with retirement welfare, comprehensively safeguarding benefits of employees.

As of 31 December 2016, there were 1,503 employees in the Group, among which 441 belonged to the Company. Six employees possess a doctoral degree, 195 possess a master degree, and 583 possess an undergraduate education. The Group employs 788 certified technical professionals, 8 of which are very senior, 172 are senior, and 279 are intermediate rank.

In 2016, the Company was not involved in any prosecution or conviction by the Government regarding labour regulations.

National Labour Law Compliance, Fair and Just Management

We put great emphasis on our employees' rights, development and equality. To safeguard employees' legitimate rights, the Company strictly complies with the national labour laws and regulatory documents, and established fair and just recruitment and management systems. The Company completely fulfils legislation under the Labour Law of the PRC, the Labour Contract Law of the PRC, the Trade Union Law of the PRC, the Social Insurance Law of the PRC and the relevant human resources management policies, regulations and ordinances in Tianjin. We also adhere to the principle of fair employment and promotion to eliminate inequality and discrimination in any forms. In addition, the Company closely observes the Law of the People's Republic of China on the Protection of Women's Rights and Interests to safeguard the legitimate rights and interests of female employees.

Well-established Remuneration System

The Company has a well-established remuneration system to safeguard employees' welfare. It is composed of a position-level pay system and a year-end bonus mechanism. Salaries are paid on a monthly or annual basis, both of which take individual's performance into consideration and reward outstanding employees according to the achievement of performance targets.

The Company provides attractive remuneration packages and discretionary bonuses. The Company implements a comprehensive performance appraisal system to assess employees' performance, and the annual bonus is allocated according to the achievement of the annual profit target. At the same time, senior management staff is assessed based on their performance targets. Their assessment results are linked to annual salary. Their annual salary is reviewed alongside assessment and rewarded accordingly.

In 2016, the Company continued to provide employees with a range of social security benefits in accordance with relevant national policies and regulations. The Company made regular and full contributions to employees' housing provident fund and social insurance, including medical, unemployment, work-related injury, maternity insurances, etc. Apart from the statutory holidays, employees also enjoy annual, marriage, family, maternity, paternity and other paid leaves. In addition, our employees also enjoy the winter heating subsidies and summer cooling allowances. The Company carefully considers employees' actual needs and provides a wide range of welfare benefits to ensure living stability of employees.

A well-established retirement benefit scheme was established to ensure employees can maintain a reasonable living standard after retirement. The Company is responsible for a basic and proportional amount of monthly old-age insurance for the employees. Employees are eligible to obtain basic old-age pensions provided by the local labour and social security departments. This comprehensively safeguards employees' livelihood after retirement.

B2. Health and Safety

The Company is committed to sustaining occupational health and environmental safety as top priority. The occupational health and safety management policy adheres to standards set out in the "Occupational Health and Safety Management System Requirements" (OHSAS 18001: 2007). By checking our working equipments, monitoring hazard installations, nurturing employees' safety awareness and other policies, we have established a safe and comfortable working environment. The Safety and Quality Department of the Company is responsible for implementing policies and upholding relevant laws and regulations in providing a safe working environment and protecting employees from occupational hazards.

Monitor Workplace and Safety Equipment

During the reporting period, all departments established a maintenance plan for creating a safe working environment according to the national safety standards in relations to occupational health and safety management system. All departments adhere to the "Control Procedures of Security and Warning Signs" (CEP.QEHS. P33), and perform regular inspections and maintenance on fire safety facilities and equipments to ensure that the design, production, installation and use of all facilities and equipments are in line with the national or professional standards. In addition, all units must comply with the "Control Procedures of Occupational Safety and Health" (CEP.QEHS. P28) in maintaining cleanness and safety procedures in office buildings, laboratories and production sites. All departments must report to the relevant departments once a year according to the actual execution of the target plan. Relevant departments regularly review the maintenance plan, and adjust the plan according to execution so as to continuously improve the occupational health and safety management system.

According Priority to Hazard Installations Control

The occupational health and safety management system, in particular, imposes stringent control over the use of dangerous goods. The "Regulation on the Safety Management of Hazardous Chemicals", the "Regulations on Labour Protection in Workplaces Where Toxic Substances Are Used" and the "Rules on Safety Use of Chemicals in Workplace" are the guiding principles for developing the environmental and safety management plan of different departments. This plan clearly stipulates objectives, measures, timetables, responsibilities and rights of each department, prioritising the control of hazardous installations. During the reporting period, workplace procedures fully met the statutory safety standards and requirements, which minimised the potential risks of using dangerous goods to ensure employees' occupational safety.

Nurture Employees' Occupational Safety Awareness

The Company pays attention to cultivate the occupational safety awareness amongst employees, by establishing safety education training programs according to employee's duties as well as conducting safety education training before employees work on new technologies, equipments or materials. During the reporting period, employees fully complied with all occupational safety procedures and measures.

Attention to Occupational Safety for Female Employees

At the same time, the Company takes the initiative to care for the occupational health and safety for female employees, stipulating that all female employees should comply with workplace regulations namely the "Rules on the Labour Protection of Female Employees", the "Provisions on the Scope of Prohibited Labour for Female Employees" and the "Provisions on Female Workers' Healthcare at Work". Female employees have taken various appropriate safety measures in different working environments.

B3. Development and Training

We believe that our employees' professional skills and capabilities are the keys for the Company's growth, so we commit to developing and training talents. This benefits both employees' growth and the Company's development. Drawing on our experience in market development and technology research and development, we have gradually built a sound and efficient human resources management system that forges a fair, harmonious and competitive internal platform for enhancing the ability and the sense of responsibility of our personnel in various fields.

The Human Resources Department of the Company is responsible for the policies about enriching employees' knowledge and skills to carry out their work duties.

To continuously enhance employees' work performance and abilities, the Company conducted the "2016 Annual Training Program" during the reporting period, which was composed of training plans, comprehensive training programs and integrated management system training programs in terms of quality, the environment, occupational health and safety, etc. In 2016, the Company focused training on middle management officers and young talents, and designed a systematic training program in the form of training class with the themes of strategic execution, technology research and development, capital operation, market development, internal control and the legal system. By conducting an in-depth and detailed analysis and elaboration of the aforementioned themes, we better fostered and implemented the Company's strategies in the "13th Five-Year Plan".

The Company developed and implemented a comprehensive training program targeting the management, sales departments and basic level units. This program was further divided into three major modules namely mandatory training, pre-job training and self-training. The self-training program included two modules of business training and integrated training, which was tailored according to the rank, position and ability of individuals. The program aims to strengthen the employees' knowledge and skills, improving their work efficiency and career growth. In addition, internal training exchange sessions were conducted, which was held by our staff to facilitate employees' understanding of other departments' business, and to encourage learning from each other. Our comprehensive training program encourages a sense of responsibility, integrity and professionalism, which will strongly support the Company's development.

B4. Labour Standards

The Company strictly complies with all labour laws. We have in place a comprehensive recruitment mechanism, which stringently abides by the employment legislations and prohibits child and forced labour. The recruitment of all employees and trainees complies with relevant laws and regulations.

The Human Resources Department of the Company is responsible for compliance with policies preventing child and forced labour, and observing relevant laws and regulations that have great impact on the Company.

The Company continued to strictly observe all relevant labour regulations in 2016, including prohibiting child labour under the age of 16 and adopting special labour protection measures for juvenile workers.

During recruitment, the Company complies with the Labour Law of the PRC and the Provisions on the Prohibition of Using Child Labour. We prohibit the employment of workers under the age of 16 in any of our Group-related businesses. The Company takes special labour protection measures for juvenile workers between 16 and 18 years old to guarantee their physical and mental health at work. During the year, the Company was not involved in any prosecution or penalisation under relevant labour standards.

B5. Supply Chain Management

The Company provides quality products and services for the general public. In addition to the strict service requirements, we set high standards for our supply chain in provision of products and services. The Safety and Quality Department of the Company is responsible for overseeing the relevant environmental and social risk policies in our supply chain. With the Quality Management Systems (ISO9000) standards as our guidelines, we have established a rigorous quality control system to improve our procurement mechanism and carefully select our suppliers to provide the best quality products and services to the general public.

The Company established an internal tender panel for the quality control system. The panel consists of departmental leaders of the Company, the operation and management department, finance department, construction management department, safety and quality department, general office, supervision office and other related personnel. The panel controls and supervises the procurement of raw materials and services. With the principle of being open, fair, just and honest, the panel stipulates the requirements for public tenders, including bidder qualifications, proposals, service commitments, company reputation and track records, which state clearly the social responsibility, business ethics, quality standards and other requirements.

According to the values of the contract, the Company employs different procurement methods including internal procurement, multi-party selection, competitive negotiation and open tendering. We evaluate our suppliers against stringent internal standards. A special tender evaluation committee was also established to adopt a “comprehensive, meticulous, and systematic” selection approach for screening suppliers. This ensures each part of the supply chain achieves an ideal quality standard.

B6. Product Responsibility

In 2016, the Company continuously committed to providing quality water, sewage treatment and supplying water facilities to our clients. All our sewage treatment plants strictly complied with the relevant laws and regulations, and were awarded the “Level A Qualification Certificate for Environmental Protection Facilities Operation (Sewage)” and the “Level A Qualification Certificate for Environmental Protection Facilities Operation (Industrial Wastewater)” by the State Environmental Protection Administration in recognition of our quality water services and operation.

The Safety and Quality Department of the Company is responsible for overseeing policies on health and safety, advertising, labelling, privacy matters and compensation in relations to products and services, and observing relevant laws and regulations that have great impact on the Company.

With a wide range of services, significant number of clients and therefore profound impact, the Company executes high standards on its products and services. With the Quality Management System Requirements (ISO 9001: 2008) as our principal guideline, we established a comprehensive quality management system, which was implemented by the Safety and Quality Department. The system features a robust inspection mechanism and various types of emergency measures to ensure water and sewage treatment quality, and to monitor all aspects of our services quality.

Inspection Management

The Safety and Quality Department takes the approach of hierarchical management and divisional responsibility to perform quality inspections across our operation. The quality management departments at all levels conduct training and assessment for management staff, while basic level units inspect and monitor the use of facilities, operation processes, plant construction, working environments and business data management. With cooperation of all levels of employees, inspection frequency is adjusted according to the rank and inspection needs at the workplace. To ensure quality services, comprehensive monitoring and control of operation processes are adopted.

Comprehensive Emergency Measures

The Safety and Quality Department has developed contingency plans and precautionary measures against all types of potential crises to minimise the risk of operation crises, and to ensure smooth business operations while protecting the interests of our customers. A contingency planning committee was established by the Company to formulate contingency plans for different crises according to the data collection of abnormal situation, risk assessment and contingency assessment, including production and operation contingency plans, safety production contingency plans, emergency plans and integrated contingency plans, which are submitted for internal and external approvals. The approved contingency plans are enacted and rehearsed regularly across departments and basic level units to ensure that all our employees are well prepared to deal with potential emergencies.

Because of the well-established and comprehensive quality inspections and contingency plans, during the reporting period, our tap water supply process has fully met the “Standards for Drinking Water Quality of the People’s Republic of China” (GB5749-2006) and the dehydration rate of sludge from our sewage treatment plants has reached 100%. All subsidiaries of the Company have strictly complied with the applicable national standards on water output, and our treatment procedures have now been regarded as the industry standard. The Company even helped to set the industry standards by contributing to the compilation of the “Urban Sewage Treatment Plant Operation, Maintenance and Safety Technical Regulations”(CJJ60-94) and the “Water Quality Standard for Industrial Water Reuse of Municipal Reclaimed Water”.

B7. *Anti-Corruption*

The Company endorses the highest standard of business ethics and upholds the vision of “The Party supervises its own conduct and enforces strict discipline”. The Company has a rigorous anti-corruption mechanism for compliance in place based on the party’s regulations and guidance such as “Party Constitution of the Chinese Communist Party”, the “Regulations of the Chinese Communist Party on Integrity and Self-discipline”, the “Regulation on the Chinese Communist Party on Disciplinary Actions”, the “Chinese Communist Party Internal Supervisory Regulations (Interim)” and the “Regulations on Integrity of State-owned Enterprise Leaders”. We implement a series of policies including integrity dialogues, commitment to implementation and supervision mechanism, internal reporting mechanism and proper information disclosure to combat illegal practices, maintain a strongly intolerant attitude toward corruption and create our group-wide reputation of integrity. In 2016, the Company and its staff were not involved in any prosecution for corruption or other commercial crimes.

The supervision office of the Company is responsible for work related to our employees’ conduct and integrity and for combating corruption.

Supervision System for Work

The Company adopts the above regulations and laws as the guiding principles for supervision to closely monitor the discipline of all staff. The management of the Company, all departments, all the subsidiaries, their senior officers and all staff members are subject to discipline monitoring and administration supervision from the supervision office. Departments and officers in charge of finance, assets and engineering construction are the main focus for supervision. The supervision office is entrusted with the rights of supervision, inspection, investigation, recommendation, participation and punishment so as to combat all misconducts.

Internal Reporting System

Employees at all levels have the right to report any misconducts or illegal practices of the Company, departments and individuals, including offenses from financial accounting and internal supervision, to the disciplinary committee of the Company. The reports would be thoroughly investigated by the supervision office of the Group, which is empowered by the Company's party committee and disciplinary committee. Once the investigation reveals violations of laws and regulations, the Group will pass the case to prosecution for further handling without hesitation.

Integrity Commitment and Implementation

The Company has formulated the "Measures for the Implementation of Integrity Commitment" under the Chinese Communist Party Committee of the Tianjin Capital Environmental Protection Group Company Limited. All leading officers, party members and key personnel are subject to the surveillance by the crowd and the Company. Each of them is required to commit to integrity in his own name, and disciplinary actions will be taken against those with misconducts such as bribery and corruption.

Integrity Dialogues

In 2016, the Company continued to uphold the integrity atmosphere in our operation and cultivate self-discipline amongst employees. We established the integrity dialogue system for the party members and leading officers of the party committee of Tianjin Capital Environmental Protection Group Company Limited according to the "Integrity Dialogue System for the Party Members and Leading Officers of the Party Committee of Tianjin Capital Environmental Protection Group Company Limited", where the party organisations and individuals would be reminded or alerted, and on the issue of integrity, be warned or criticised through formal conversation, warning and admonishment. This practice contributes to our corporate culture shared by all staff members that we are at all times self-disciplined in upholding integrity and abiding the laws.

Open and Fair Governance

The Company has complied with the listing rules in both Hong Kong and the PRC. Independent auditor is appointed to prepare the Company's financial statements and to conduct external audit on our internal control. The management of the Company seeks to eliminate all fraud or unethical behaviour. At the same time, the Company has taken a proactive approach in observing its obligation to disclose information, by holding regular shareholder meetings to share our development plans with investors to achieve openness and fairness.

B8. Community Investment

While the Company cares economic and environmental benefits, it also commits to shouldering social responsibilities. Through active participation in a wide range of social development projects and education activities, we show affection to the general public and contribute to our society. We have created positive impact by living out the traditional virtues such as helping the people in need and the poor, promoting a sense of social responsibility and sympathy among our employees.

The party-masses department of the Company is responsible for the policies on community engagement and ensuring its activities have taken local community interests into consideration.

Assurance to Residents on the Safety of Recycled Water

As a domestic leading provider in integrated water and environmental solutions, our subsidiaries supplying recycled water have placed the provision of safe and clean recycled water for public consumption at the top priority. Multiple measures have been taken to supervise the water quality and safety, such as holding regular user forums to understand users' thinking, performing regular inspections for the safety and quality of recycled water, and conducting water safety polls to understand the actual needs of residents. At the same time, emergency warning systems would be carried out to strengthen the pipeline management and eliminate potential risks.

Water Conservation Education

In order to facilitate the community's understanding of the operation of sewage treatment plants, the Company opens some of its plants for public visits to enhance the public's environmental awareness of water conservation. Activities are held on different environmental protection topics. Our sewage treatment plants host numerous social groups, community residents, schools and business units. These open days engage and educate the general public on sewage treatment issues, inspiring them to improve our community and to share in our collective environmental responsibilities.

The Company fully appreciates the importance of cultivating the awareness of water conservation in young children, and therefore places particular emphasis on educating the youth in this matter. We have worked with primary schools in organising science activities, educating students on water shortages and the water utilities industry in general. These activities promote water conservation practices with scientific methods and advance the idea that every person should be aware of environmental protection at all times.

Community Livelihoods

The Company cares for all social classes and our society as a whole, and has therefore established a caring system. Through this system, we have organised a wide range of voluntary activities, including donations, fundraising for underprivileged students, visiting grassroots workers, helping the poor in festivals, cleaning communities and elderly apartments, and holding special events for children and the retired elderly. Our commitment to caring for disadvantaged groups within the community has earned us a caring image and the strong reputation for solving difficulties in the communities.

3.3 Economic Performance

The Company is committed to serving the whole nation with Tianjin being our home base. We strive to deliver a win-win situation with governments, enterprises and other stakeholders through our professional services that could improve the local environments and drive local economies.

Investment driving Local Economies

As at end of 2016, the Company has accumulated foreign investments of about RMB 1.8 billion and USD 7.84 million. Since the listing of the Company, we, as a Tianjin-based company, have been cooperating with the local governments including Guizhou, Yunnan, Jiangsu, Hubei, Anhui, Zhejiang, Shandong, Shaanxi, Hebei, Hunan and Xinjiang in different ways to enter the local water markets. An extensive nation-wide service network and our reputation as an exceptional service brand have been established.

Our contribution to improve the local environment and to drive the local economies has received considerable recognition from local governments. Leaders from local governments and other parties have visited our Company's subsidiaries on several occasions, with comprehensive and in-depth news coverage by local media. To date, there are 22 secondary wholly-owned and controlling subsidiaries under the Group, along with 41 sewage treatment plants either owned or managed by us.

Integrity for Mutual Benefits

In terms of external relations, the Company believes in the principle of "mutual benefit in development". We stress management and operation in accordance with laws, proactively manage our relationship with all stakeholders, respect and protect the legitimate interests of our clients and the general public, while improving our service quality and the satisfaction of stakeholders. We have built a remarkable corporate image and maintained a strong reputation while making contribution to a stable society.

The Company has closely complied with the listing rules, actively disclosed information and held regular meetings with shareholders to share our development plans. The performance and the share price of the Company remain steady. A cash dividend of about RMB 1.344 billion has paid over the past 16 years, providing reasonable returns for our investors.

In addition, the remarkable development of the Company also helps its stakeholders to flourish. We have maintained good credit ratings in the banking sector. We have been rated by the Tianjin Banking Association as a Credit Integrity Enterprise for Tianjin Banking Industry. This has been a win-win situation to all parties.

4. HIGHLIGHTS FOR THE WORK IN 2017

The Company has gained the trust of the Government and the general public due to our emphasis on corporate social responsibilities and our commitments to improving local economies and the environment. We strive to maximise the integrated value of economy, society and environment with minimal use of resources and at the smallest cost to our social environment. In 2017, our work focus will mainly be the following areas:

1. Facilitate market development and strengthen our service network

In line with the upgrading trend in the “13th Five-Year Plan”, the Company has achieved remarkable results in market development in 2016. In 2017, we aim to keep up our efforts and expand extensively, taking advantage of the system where the market development department will take the lead and local subsidiaries will act as the antenna. More efforts will be made to expand both the business scale and its scope, organise more staff training and offer more incentives to vitalise our development in business lines.

2. Establish technology-driven strategy and promote the transformation of our scientific and technological achievements.

The Company will affirm being technology-driven and implement pertinent initiatives, namely, strengthening the direction, strategy, model and team building of our R&D and developing the management mode of our R&D program so as to improve our R&D ability and elevate our professional subsidiaries into being little scientific and technological giants. At the same time, we will advance the construction of our R&D infrastructure and build an integrated platform for R&D, achievement transformation and product production.

3. Exert better control over our operations and construction projects and deepen linear management.

The Company will consolidate the existing linear management and deepen the management in our three main business lines, namely, construction, operation, and management so that there will be a highly efficient system and management model with all dots linked together to form a comprehensive web, where prompt actions and communications at different levels are facilitated. We will also enhance the management structure and corporate reputation of the Company. We will continue to control cost and strengthen standardisation in order to upgrade business quality and manage risks. The Company will prioritise target completion, and realise the systematisation and the whole process management with regard to the unification of construction and business projects, as well as key projects and regular projects in Tianjin and other provinces, to build an image on quality and highly civilised operation and construction. Also, we will expedite the training of high quality management staff for construction and operation, building a stronger team.

4. Continue to utilise capital, intensify personnel training and incentives, and strengthen party building and supervision.

As our business continues to grow during the “13th Five-year Plan”, the Company will continue to ensure there is sufficient capital to meet the development needs by utilising the financing function of the listing status to lower financial costs and to diversify financing channels, adhering to the ideology that capital is the basis for business development. We will recruit and cultivate talent with exchange programs and trainings of different forms according to business development and needs. The Company will also establish a mobility ladder for talents and optimise incentive mechanism. Party building will be enhanced so that an anti-corruption atmosphere could be enhanced, with inspection and supervision on bribery being strengthened to promote integrity.

5. Disclose key performance indicators (KPIs) and shoulder environmental and social responsibilities.

For 2017, all listed companies in Hong Kong are obliged not only to disclose their policies in the environmental and social aspects, but also to report their relevant KPIs, showing actual performance with quantitative statistics. In the coming year, the Company will take a proactive approach to collecting and calculating the relevant KPIs and to disclosing to the general public its efforts in shouldering environmental and social responsibilities. At the same time, KPIs will also give an objective review of our annual performance and the measurable targets can allow us to aim and achieve more.

In 2017, the Company will carry forward its mission and continue to develop and work on an integrated system for water utilities and environmental services. We will consolidate our business in sewage treatment, and to perform well in other business areas such as water recycling, and the supply of renewable energy. By enhancing water environments and delivering clean water and clean energy, we nurture the growth of an ecological civilisation and deliver a win-win situation for this enterprise, our society and all stakeholders.

HKEX ESG REPORTING GUIDE INDEX

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