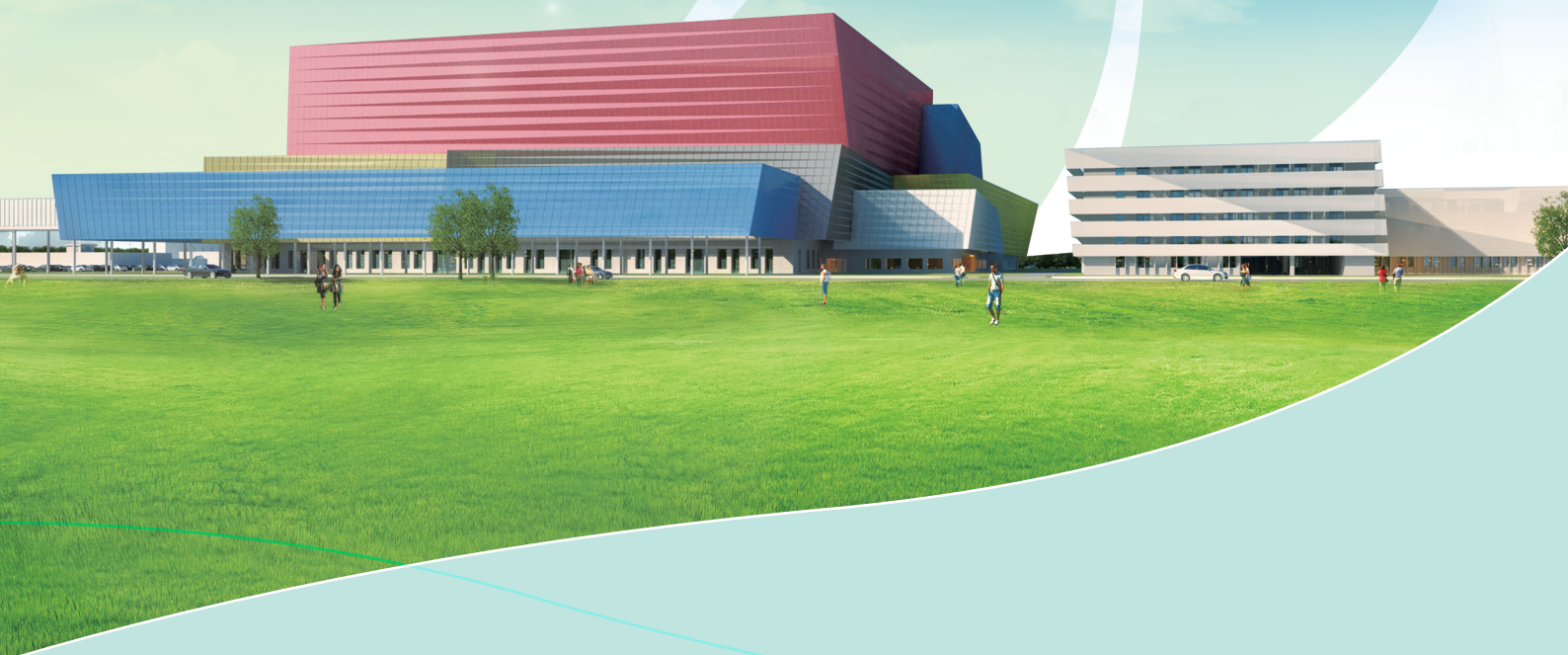




綠色動力環保集團股份有限公司
Dynagreen Environmental Protection Co., Ltd.

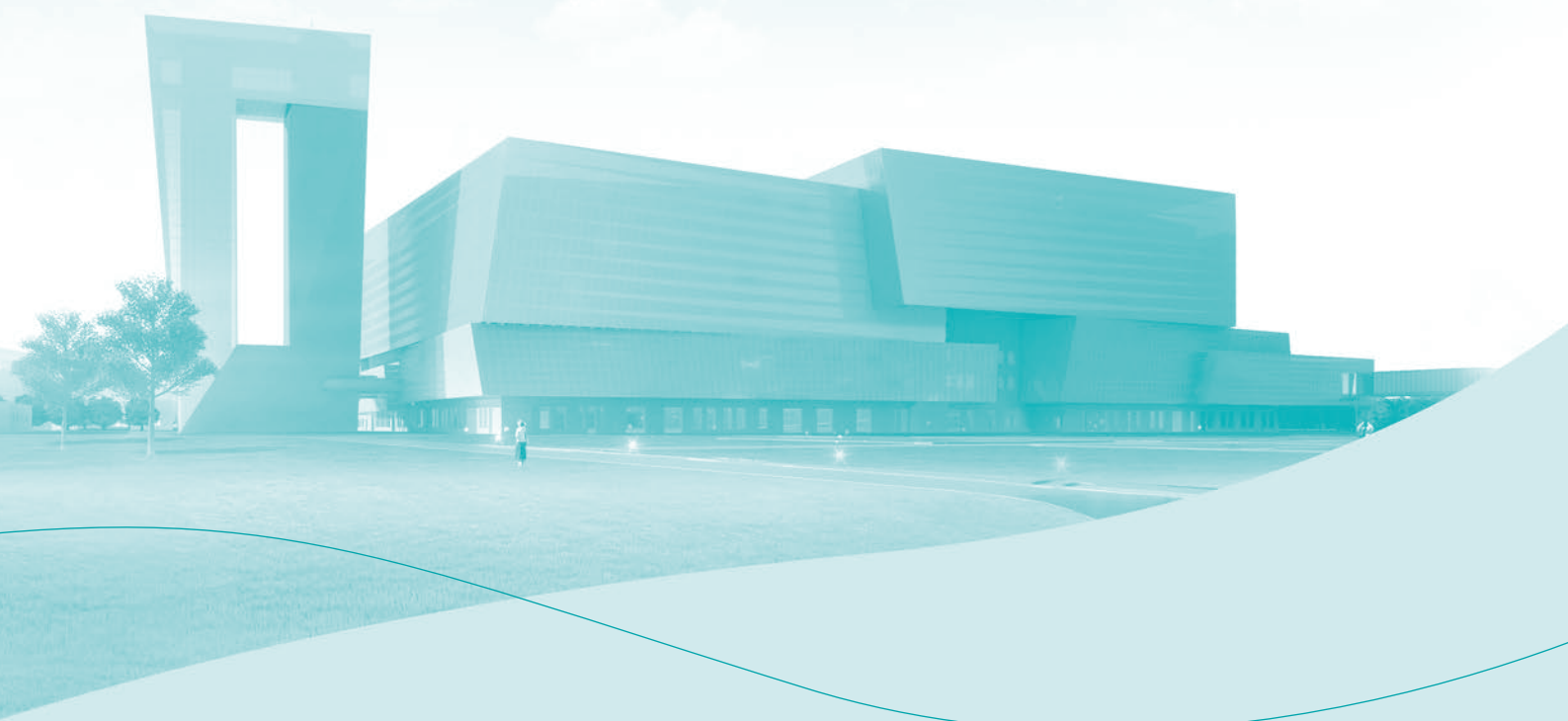
(A joint stock limited liability company incorporated in the People's Republic of China)
Stock Code: 1330

Environmental, Social and Governance Report **2016**



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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 CHAIRMAN'S STATEMENT

Since the implementation of the reform and opening-up policy, the rapid industrialization and urbanization in China have caused the rapid increase of municipal solid waste. Dynagreen Environmental Protection Group Co., Ltd. ("Dynagreen") emerges as the times require. Dynagreen is one of the first enterprises engaging in detoxification, reduction and recycling of municipal solid waste in China. Dynagreen seizes the momentum and has thoroughly developed in the waste-to-energy sector for more than a decade. Our projects are located across 13 provinces and municipalities in China with waste treatment capacities at the forefront of the industry, which significantly improves the urban environment, reduces the emission of greenhouse gases and provide renewable energy for many homes.

As a leading environmental protection enterprise in China, Dynagreen regards environmental compliance as the most essential in our business. "Meeting emission standards" is our business philosophy and we strictly implement this philosophy through the use of management systems in our production. Excessive emissions have never occurred at Dynagreen since its establishment.

Dynagreen, as a state-owned listed company, strives to fulfill its social responsibility and promote corporate citizenship. Always adhering to the value of "generating social benefits as the primary goal while economic efficiency as the basis", Dynagreen attaches great importance to the rights and benefits of its employees and provides vast room for their development. It considers the best interests of customers and provides quality waste treatment services in cities. It treats suppliers well and regards them as partners for mutual benefits. It also respects residents in the communities and gets along with them harmoniously.

Building a "Beautiful China" on a path of sustainable development is not only a target of our country, but also our pursuit. Dynagreen will exert more efforts in this regard.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

2 ABOUT THIS REPORT

Basis of Preparation

This is a first Environmental, Social and Governance (ESG) report (the “Report”) of Dynagreen Environmental Protection Group Co., Ltd. (“Dynagreen” or the “Company” or the “Group”). The ESG report was prepared in accordance with the Environmental, Social and Governance Reporting Guide of Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The report covers the period from 1 January 2016 to 31 December 2016. This report will be published on the website of the Hong Kong Stock Exchange and the official website of the Company.

About the Group’s Business

The Group is a listed company invested by the Beijing Stated-owned Assets Management Co., Ltd., dedicating to the industry of recycling and renewable energy. Its scope of business covers the investment and construction, operation and management, technology research and development and supply of the core equipment relating to urban waste treatment projects, and other professional services including consultation in order to provide comprehensive solutions for the urban waste treatment.

The urban waste treatment projects invested and constructed by the Group are comprehensive waste recycling projects integrating waste incineration, power generation, heat supply as well as bricks manufacturing from incinerated waste. The core facilities of waste incineration make use of local proprietary technologies, taking advantage from costs and technical adaptability. The environmental protection technologies, such as controlling the time and temperature in waste incineration as well as the strict smog and gas treatment technologies, ensure all the emissions including dioxin emissions are meeting the environmental emission requirements. The energy generated from waste incineration is used for power generation and heat supply, and the incinerated waste is used for making bricks, while the leachate is treated for reuse or discharge to the municipal sewage system. Ash is solidified with the use of chelating agents and cement before sending to the sanitary landfill, minimizing pollution from the municipal waste through detoxification, reduction and recycling.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

In 2016, the Group recorded a turnover of approximately RMB1,874.48 million, representing an increase of 49% as compared to the same period last year, and profit for the year of approximately RMB356.46 million, representing an increase of 57% as compared to the same period last year. In 2016, the waste-to-energy projects of the Group treated a total of 3.17 million tons (inclusive of landfill) of municipal solid waste, which generated green on-grid electricity of 770 million kWh, representing growth of 37% as compared to the same period in 2015.

Anshun Project



Jurong Project



Huizhou Project



Bengbu Project

Adhering to the concept of sustainable development, the Group calls for “using the natural resources efficiently and rationally to make the city development in harmony with the environment”. It also adheres to the value of “generating social benefits as the primary goal while economic efficiency as the basis” and regards “benefiting the society and serving the government” as its corporate mission, in the hope of undertaking the social responsibility with the people from all walks of life for the improving of the eco-environment in China to make a better living environment.

Reporting

This report is an annual report. The publication of the 2016 Environmental, Social and Governance Report is the first of its kind for the Group. The Environmental, Social and Governance Report for the next reporting period (i.e. 2017) is expected to be published in June 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Scope of the Report

This report covers the information of Dynagreen Environmental Protection Group Co., Ltd. and its subsidiaries and focuses on reporting the environmental and social policies relating to the waste treatment projects of the Group in China during the reporting period.



Tongzhou Project

Data Source

The data in this report is extracted from internal documents and relevant statistical materials of Dynagreen Environmental Protection Group Co., Ltd. and its subsidiaries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

3 ESG DEVELOPMENT STRATEGY OF THE GROUP

3.1 ESG Strategy of the Group

The sustainable development strategy of the Group refers to the idea of maintaining constant profit growth and consistent improvement in comprehensive capacity in the leading competitive fields and business environment for future expansion by considering business objectives and market position while being in pursuit of sustainable corporate development. The Group emphasizes internal management, customer management, personnel management and market management in its sustainable development strategy and has formulated a comprehensive, diversified and forward-looking sustainable development plan.

Adhering to the idea of sustainable development, the Group calls for “using the natural resources efficiently and rationally to make the city development in harmony with the environment”. It also adheres to the value of “generating social benefits as the primary goal while economic efficiency as the basis” and regards “benefiting the society and serving the government” as its corporate mission. Upholding the operation and management concept of “safe, environmental friendly, civilized and effective”, the Group also attaches great importance to safety and environmental protection while working together with customers, suppliers, employees, community residents and other stakeholders for mutual benefits, so as to make contributions to social progress, economic growth and environmental governance.

3.2 ESG Management Structure of the Group

The board of directors of the Group is responsible for the evaluation and determination of risks relating to the environment and the society and to ensure the Group has established an appropriate and effective environmental and social risk management and internal control system. Under the leadership of the board of directors, the management of Group is responsible for implementing business ideas including production safety, compliance with environmental standards, mutual benefits as well as honest and integrity, formulating policies relating to the environmental and social governance, defining job duties and responsibilities, implementing specific measures and monitoring the implementation results.

3.3 Participation of Stakeholders

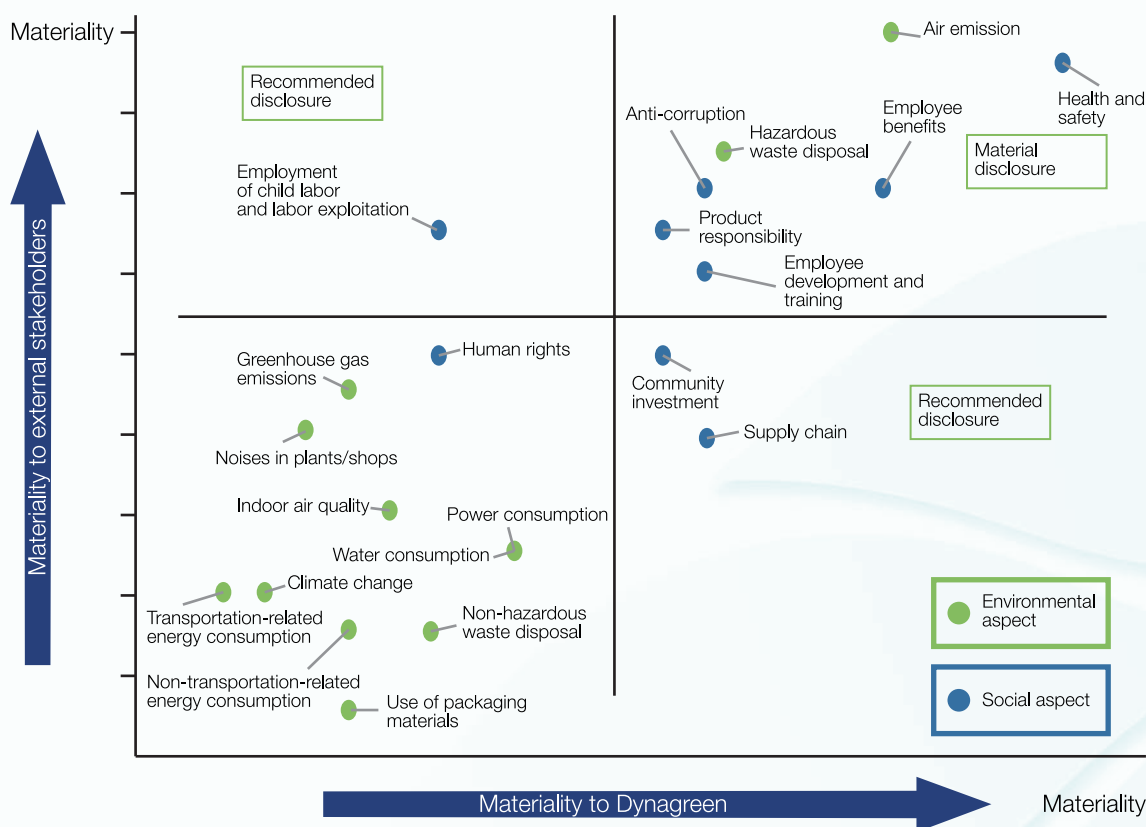
The stakeholders in relation to the ESG aspects of the Group comprise internal and external stakeholders, among which the major stakeholders include internal personnel (from management to front-line employees), suppliers, customers, shareholders and investors, the government and the communities in which the Group operates. As the 2016 Environmental, Social and Governance Report prepared under the Environmental, Social and Governance Reporting Guide (“ESG Guide”) of the Hong Kong Stock Exchange is the first of its kind for the Group, this report is prepared mainly on the basis of materiality assessment of the management team. In the future, in addition to management involvement in materiality assessment, we will also involve other stakeholders to review and update the materiality assessment, so as to ensure the report reflects, to the greatest extent possible, the most recent progress of the Group in sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

3.4 Materiality Assessment

Based on the stakeholders and the materiality assessment, we have identified the following issues which are most material to the sustainable development of the Group, and will form the focus of the sustainable development of the Group.

| Environmental Aspect | Social Aspect |
|---|--|
| <ul style="list-style-type: none"> – Air emission (exhaust gas) – Waste water (leachate and sewage from waste dump) – Solid waste (slag and ash) | <ul style="list-style-type: none"> – Health and safety – Employee benefits – Anti-corruption – Product responsibility – Employee development and training |



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

4 ENVIRONMENT

4.1 Overview and Relevant Policies of Environmental Protection

The Group is a leading environmental company in China and places high emphasis on environmental protection. The Group has established an environmental supervision and management model comprising government supervision, societal monitoring and corporate internal control.

The implementation of the newly issued Environmental Protection Law and the Municipal Solid Waste Incineration Pollution Control Standards (《生活垃圾焚烧污染控制标准》) (GB18485-2014) tightens the emission standards for waste-to-energy practices and strengthens law enforcement and penalty measures. The Company adheres to the business principle of “generating social benefits as the primary goal while economic efficiency serves as the basis” and sees compliance with environmental protection regulations as top priority. Thus, it has established stringent internal control procedures and standards and obtained the ISO14001:2004 environmental management systems certificate. During the reporting period, the Pingyang project and Taizhou project obtained the AA grade and AAA grade certificates for waste detoxification treatment at provincial level respectively.



Since its establishment, the Group has been complying with environmental protection laws and regulations including the Municipal Solid Waste Incineration Pollution Control Standards (《生活垃圾焚烧污染控制标准》) (GB18485-2014), the Circular on Further Strengthening the Administration on Environment Impact Assessment of Biomass Power Projects (Huan Fa [2008] No. 82) (《關於進一步加強生物質發電項目環境影響評價管理工作的通知》(環發[2008]82號)), the Emission Standard for Odor Pollutants (《惡臭污染物排放標準》) (GB14554-93), the Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境噪音排放標準》) (GB12348-2008), the Integrated Standard for Waste Water Discharge (《污水綜合排放標準》) (GB8978-1996), the Standard for Pollution Control on the Landfill Site of Municipal Solid Waste (《生活垃圾填埋場污染控制標準》) (GB16889-2008), the Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Waste (《一般工業固體廢物貯存、處置場污染控制標準》) (GB18599-2001) and the Standard for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》) (GB18598-2001).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

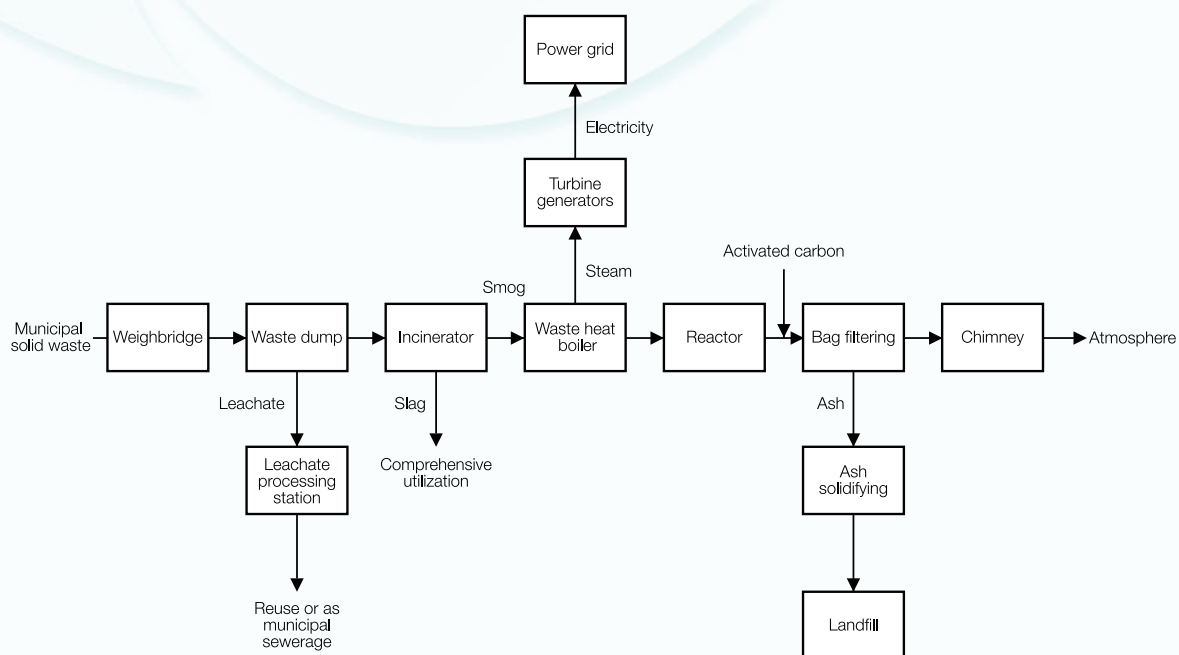
The Group has established various rules and systems such as the Environmental Protection Management System of Dynagreen Group and ensures their strict compliance. For environmental protection management, adhering to the principle of “prevention as top priority and combining prevention with governance”, the Group implements “three simultaneities” for environmental protection facilities and monitors the whole process of environmental protection during the construction and production. The Group has been keeping an eye on the emission and disposal of smog, waste water, noise, stench and solid waste of each of its operating project companies, so as to make sure the emission and disposal fulfilling national requirements in order to prevent environmental pollution. The Group also strives to reduce the emission of pollutants so as to safeguard the health of employees and promote safe and environmental business operation. The Group urges each of its operating project companies to formulate environmental protection work plans. It also makes arrangements in respect of the environmental protection and improvement in the production areas and implements such arrangements. The Group has taken effective preventive measures with respect to various sources of pollution that may cause pollution to the environment in order to avoid environmental pollution accidents. The Group also educates its employees to comply with national regulations relating to environmental protection, performs its obligations in environmental protection and dares to curb the phenomenon of environmental pollution and destruction. Besides, the Group conducts regular on-site inspections of its waste-to-energy power plants and requires these plants to conduct regular internal safety checks.

The general manager of a project company is the first person responsible for environmental management of that project company and the deputy general manager of production/assistant to the general manager is the person directly responsible for production, operation and environmental management of that project company. Each of the operating project companies shall set up an environmental leading group comprising the general manager (as the group leader), the deputy general manager of production/assistant to the general manager, department managers, specialist engineers and shift chief operators, which specifies their respective duties in environmental management, so as to put the responsibility system in place to every part of production. The safety and environment department of a project company is responsible for the daily supervision of the environmental protection work of that project company to strengthen evaluation and accountability. The president of the Group is the first person responsible for environmental management of the Group and the vice president responsible for operation is the person directly responsible for environmental management of the operating projects of the Group. The operation and management department of the Group is the functional department for supervision of the environmental management of the operating projects of the Group and is responsible for the supervision and evaluation on the environmental protection work of each of the Group’s operating project companies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

4.2 Major Emissions Affecting the Environment

The Group is mainly engaged in the waste-to-energy business. The specific process of waste incineration is illustrated in the following diagram:



From the above process, the emissions which are produced by the Group during waste treatment and incineration and affect the environment mainly include air emission from chimney exhaust, waste water (leachate and sewage from waste dump), solid waste (slag and ash) and noise from operating equipment. The Group adopts advanced pollution prevention and control technology and strict pollution prevention and control measures to ensure that the major pollutant emissions meet the national standards. The relevant measures formulated by the Group with respect to the above major sources of pollution are set out below.

4.2.1 Air Emission (Exhaust Gas and Odor Control)

The waste gas generated from waste-to-energy projects comprises noxious gas, heavy metal and particulates. The main components of waste gas include smog, sulfur dioxide, carbonic oxide, oxynitride, hydrogen chloride, mercury, cadmium, lead and dioxin. The odors from waste dump come from methane and hydrogen sulfide.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

All of the Group's project companies implement treatment process including desulfurization, denitration adsorption of dioxin by activated carbon and bag filtering. In particular, the dioxin generated from waste incineration is the focus of public attention. The dioxin emissions of all operating projects of the Group comply with the Municipal Solid Waste Incineration Pollution Control Standards (《生活垃圾焚烧污染控制标准》) (GB18485-2014), i.e. lower than 0.1ng-TEQ/Nm^3 . The Group's projects in trial operation must, before commencing commercial operation, file an application with the competent administrative authority of environmental protection for environmental protection acceptance for construction projects, which includes a dioxin emission inspection report prepared by a qualified third party. Dioxin emission levels for projects in commercial operation are also regularly inspected by such qualified third parties and the relevant local environmental protection bureau. Besides, the online monitoring system of the waste-to-energy power plants of the Group is interconnected with the environmental protection monitoring system of the local government. The LED screens at the gate of the waste-to-energy power plants provide neighboring residents real time emission data.

In response to the odors in the local regions, the project companies have taken measures to minimize odor emissions, including sealing the waste discharge area besides the discharge opening, installing ventilation devices and rerouting air from waste storage dump to the incinerator for combustion while maintaining negative pressure in the waste storage dump. In order to prevent dissipation of odors emitted from leachate into the surrounding environment, the Group funnels leachate to a leachate treatment station for processing. During the reporting period, Changzhou, Wuhan, Taizhou and Rushan Projects completed the sealing of waste trestles, solving the problem of odor leakage which lasted for years.

4.2.2 Wastewater Treatment

The waste water content received by the plants of the Group is high and thus leachate from stored waste. Wastewater in the form of leachate mainly comprises highly concentrated dissolved organic matter and inorganic ions, including large amounts of ammonia nitrogen, soluble cations, heavy metals, phenols, soluble fatty acid and other organic pollutants. In addition, the Group's waste reception area requires cleaning regularly, which generates waste water. Chemical water desalination workshops produce acid and alkaline waste water. The plants also produce a small amount of domestic sewage.

The Group usually adopts membrane bioreactor technology, nanofiltration (NF) and other technologies for wastewater treatment. Generally, the Group engages a third party for wastewater treatment to ensure that the sewage emitted by us to the municipal sewage pipelines complies with emissions standards. The emission limit values of leachate are strictly complied with the relevant standards as stipulated in the relevant concession right agreement entered into between the subsidiaries and the local government departments. In case there is no specific requirement in the agreements, the waste water connecting to pipelines shall be subject to tertiary discharge according to the Integrated Standard for Waste Water Discharge (《污水综合排放标准》) (GB8978-1996) in China and shall be connected to sewage treatment plants for further biochemical treatment. Sewage discharge enterprises shall implement primary or secondary discharge standards, depending on the receiving river.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group conducts patrol inspections in leachate treatment plants every day to ensure the normal operation of leachate treatment facilities. In case there is an overhaul of sewage treatment facility, the construction plan shall be reported. A temporary sewage treatment plan shall also be installed, including adjusting sewage treatment process, inventory in sewage regulatory reservoirs, engaging other units for sewage treatment and other plans, ensuring there is no incident such as direct discharge and excessive discharge of leachate. Tailwater direct discharge companies shall report to the local environmental authorities and implement upon approval.

4.2.3 Waste Management

Solid Waste Treatment

The solid waste produced by the waste-to-energy projects of the Group mainly includes slag and ash. As a responsible waste-to-energy service provider, the Group handles its waste carefully and strives to minimize the environmental impacts. Therefore, the Group closely monitors its waste generation and treatment.

Ash treatment measures: Ash is solidified in strict compliance with the national standard of GB16889-2008. The ash generated after waste incineration is stored in a sealed ash hopper. The ash then is solidified by adding chelating agent and cement. Solidified ash is then sent to landfills.

Slag treatment measures: The slag produced after incineration of municipal waste is classified as ordinary industrial solid waste. The Group ensures that the ignition loss rate of slag is lower than 5%. A single slag furnace is inspected three times a day and proper inspection records are made. After cooling, magnetic separation and deferrization, the slag is stored in a room, where an impermeable layer is installed on the ceiling with grooves to gather water. Generally, the slag is delivered by trucks to a third party company for brick making.

The output of ash and slag are weighted and recorded by the Group every day. The ash and slag are stored in a sealed environment in the transportation process without any dispersal. The transportation channels for ash and slag are clean and unobstructed. Handover forms are issued upon the final treatment of ash. Records are made for the comprehensive utilization of slag.

Hazardous Waste Treatment

The Group collects and properly stores the used oil and lubricants of equipment, which are then handled by qualified processing contractors for treatment.

4.2.4 Noise Prevention and Control

The Group's sources of noise pollution mainly include the turbine generators and other ancillary facilities. The Group conducts noise monitoring on the noise and major sources of noise pollution at the factory boundary, factory zone and living area according to the Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境噪音排放標準》) (GB12348-2008). The monitoring cycle, monitoring device, monitoring spot and handling data of monitoring results are all complied with the Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境噪音排放標準》) (GB12348-2008) and the national requirements on monitoring.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The measures of noise prevention and control:

- (1) controlling the sources of noise pollution, such as using low-noise and shock-absorbing equipment with advanced technology and proposing noise restriction requirements when purchasing equipment;
- (2) installing soundproof doors and windows as well as mufflers to reduce noise pollution;
- (3) making an overall reasonable layout and strengthening forestation in the factory zone to fully utilize the sound insulation of the buildings in the factory and reduce noise with the use of green belt to mitigate the impact of noise to the surrounding areas.

4.3 Use of Resources

4.3.1 Water consumption

In the process of power generation from waste incineration, a large amount of water is required to produce steam, which drives the turbine generator to produce electricity. So water is one of the major natural resources used by the Group. We strive to reduce water consumption and improve the efficiency of all plants through various measures, including reusing the cooling water and demineralized water, using the cooling water that can no longer be reused for irrigation and cleansing in the factory zone.

4.3.2 Power consumption

The waste-to-energy power plants of the Group mainly use the power generated by themselves for normal operation, so a small amount of power is acquired from outside providers.

4.3.3 Others

Due to the characteristics of the industry in which the Group operates, other aspects affecting the environment, such as the use of packaging materials, transportation-related energy consumption as well as non-transportation-related energy consumption, do not cause significant impacts on the environment, so the Group does not make relevant disclosure in this report.

4.4 Development of New Environmental Technology

The Group keeps on developing new process and technologies, including complete combustion, automated control and exhaust gas treatment technologies, in order to improve the efficiency of waste-to-energy power plants, to manage the pollutants emitted by the Group in the environment more effectively, and to treat other categories of solid waste. We believe that, consistent technological innovation will help the Group to consolidate its leading position in the waste-to-energy industry in China while improving the efficiency of the waste-to-energy operation of the Group and mitigating impacts on the environment.

4.5 Statement of Compliance

The Group strictly complies with national environmental laws and regulations. During the reporting year, there was no event of violation or non-compliance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

5 SOCIETY

5.1 Relevant Policies of Society

In addition to making profit, the Group always believes that an enterprise should undertake the social responsibility with respect to customers, employees, society and environment. We have formulated the corporate social responsibility policy for the Group and are committed to assuming corporate social responsibility and encouraging all employees to strictly comply with such policy. The corporate social responsibility of the Group covers the following aspects.

5.2 Employment

5.2.1 Health and Safety

Upholding the operation and management concept of “safe, environmental friendly, civilized and effective” and the principle of “protecting personal safety, protecting power grid and protecting equipment”, the Group attaches great importance to safety. Pursuant to the national requirements in relation to production safety, the Group has formulated detailed regulations and systems with respect to safety tool management, temporary power consumption management, safety incident management, hazardous chemicals management, emergency plans for accidents, and major and sensitive facilities management while enhancing production safety, safety education and training. The Group also includes the performance on safety into the appraisal system, which serves as the basis for human resources management work such as salary adjustment, job changes, training and development of employees. Each of the project companies has set up an internal safety and environmental department under the direct leadership of the general manager of the relevant project company, which is responsible for daily supervision of the production safety and environmental protection work of such project company. The Group obtained the occupational health and safety management system certificate of OHSAS18001: 2007.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group has formulated the following systems and measures for project operation: (1) production safety rules and procedures for incident inspections and exception management, which establish a clear internal structure with detailed responsibilities of each department; (2) regular safety inspection system with the preparation of safety monthly reports to evaluate the monthly production safety records and set up the safety target for the next month based on the completion status of safety target in the preceding month; and (3) regular safety education and training system.

For project construction, the Group has established responsibility system and supervision system for production safety to conduct comprehensive management on production safety, troubleshoot for all construction sites, carry out risk evaluation and analysis and identify sources of hazards. The Group also adopts preventive plans for major construction progress and implements appropriate emergency measures in order to safeguard construction safety.

Besides, the Group has also adopted measures for the management of subcontractors involved in the design and construction work for our projects. The Group established clear standards for subcontractors to follow in undertaking the Group's projects. The Group also has specific technological requirements that must be met by project contractors under the supervision of the Group's specialized project engineers.

During the reporting period, the Group did not violate any laws and regulations relating to the health and safety of employees.

5.2.2 Employee Recruitment and Benefits

Focusing on its development strategy based on the actual condition of the Company, the Group has established and implemented a scientific, open and fair human resources policy which is beneficial to sustainable corporate development. The Group has also formulated human resources management procedures including standardized personnel plans, recruitment, training, attendance and rest periods, salary, appraisal, resignation and dismissal of employees. The Group has also introduced a series of supporting human resources management systems, such as the Selection and Recruitment System of Employees (《員工選聘錄用制度》), the Management Measures on Recruitment and Entry (《招聘及入職管理辦法》), the Training Management System (《培訓管理制度》), the Appraisal Rules on Probation Period for New Employees (《新員工試用期考核細則》), the Management Measures on Labor Contracts (《勞動合同管理辦法》), the Remuneration Management System (《薪酬管理制度》), the Attendance and Rest Periods Management System (《考勤及休假管理制度》) and the Management System on Employee Resignation (《員工辭職管理制度》), with strict compliance with the national laws and regulations and the relevant requirements of the Company with respect to the introduction, development, use and dismissal of human resources. Besides, the remuneration of the senior management at the headquarters and the management teams of the project companies are determined based on performance. Annual business objective and appraisal and incentive measures are introduced to improve the performance appraisal system and the cohesion of middle-to-senior management to the Company. As at 31 December 2016, the Group had a total of 1,241 employees.

During a performance appraisal for an employee, the evaluation should be made in the following order: the employee himself/herself, his/her direct superior and the competent senior management personnel. Then, the president should be responsible for the review. The president has the veto power. Upon completion of a performance appraisal, the direct superior of the employee should give feedback to this employee.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

During the reporting period, the Group further improved its appraisal system by optimizing appraisal indicators and revising appraisal measures so as to motivate the business performance getting closer to the Group's strategic objective. The Group strengthened the development of talent reserve and established a talent development system exclusive to Dynagreen. The Group regulated the recruitment and interview procedures and introduced training courses for interviewers so as to further improve the brand image as an employer. Taking Huizhou Company as an experimental unit, the Group rationalized the major work of human resources and management of its project companies and provided professional management consultation and guidance.

During the reporting period, the Group did not violate any laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

5.2.3 Employee Development and Training

The Group regards providing opportunities and room of sustainable development for employees as its responsibility. In addition to salary and benefits, the employees can also seize the training and development opportunities as provided by the Group from time to time. Employee development and training provide guarantees for completing business objective, improving performance and achieving sustainable development and are also ways for employees to perform their duties, achieve self-improvement and explore their potential. The Group has formulated the Training Management System of Dynagreen Group (《綠色動力集團培訓管理制度》), the Internal Lecturer Management System of Dynagreen Group (《綠色動力集團內部講師管理制度》), the Management Measures on Employee Development and Training of Dynagreen Group (《綠色動力集團員工進修培訓管理辦法》) and other training systems.



Training for new employees comprises two stages, namely common required courses and professional training for the department. Common required courses include introduction to the Company, corporate development milestones and future prospects, corporate culture, brief introduction to the work of functional departments and internal regulations and systems, etc. Professional training for the department refers to the training and guidance provided by the departments for their new members on work skills, i.e. pre-job training, which requires on-site guidance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)



The Group provides financial assistance to the middle-to-senior management personnel and reserved management personnel who pursue external advanced studies so as to help them complete MBA or other levels of education.

The Group provides internal and external skills training for the production personnel at the forefront. The Company arranges internal lecturers for internal training. For external training, the Company usually sends the employees to professional training institutions for external full-time training at the Company's cost. In addition, the Company arranges some of its employees to visit advanced enterprises in the industry for on-site training and experience exchange in a regular manner.

5.2.4 Labor Standards

The Group strictly complies with all relevant labor laws and regulations, including the Law on the Protection of Minors, the Labor Law, the Labor Contract Law and the Social Insurance Law. By conducting checkups on new employees before they start working, detecting signs of child or forced labor regularly and organizing internal training to improve legal awareness, the Group prohibits child and forced labor.

During the reporting period, the Group strictly complied with the Provisions on the Prohibition of Using Child Labor of the Chinese government and did not employ any person under 16 years old. There was also no relevant case of discrimination and harassment.

5.3 Anti-corruption

The Group has formulated the Anti-fraud and Reporting System (《反舞弊與舉報制度》), the Ten Rules on Employee Behavior of Dynagreen (《綠色動力員工行為十誡》), the Three Importance and One Greatness Collective Decision Making Management System (《三重一大集體決策管理制度》), the Management System for Regulating Capital Flow with Related Parties (《規範與關聯方資金往來的管理制度》) and the Decision Making System for Non-Ordinary Business Transactions (《非日常經營交易事項決策制度》). Adhering to the principles of combining punishment with prevention and prevention as the first priority, the Group has determined the focus of anti-fraud as illegal occupancy or misappropriation of corporate assets, obtaining illicit benefits, false statement, material omission, abuse of power and collusion. Besides, the Party general branch of the Company has further strengthened the prevention, control and management on integrity risk as well as work on petition letters and visits and established an accountability mechanism for clean Party work style and honest administration, a promotion and monitoring mechanism for anti-fraud, which plays an effective role in anti-fraud. The Group has introduced the veto power to employee appraisals for clean and honest administration, strictly reviewed the process of appointment and dismissal of management and promoted the core idea of "Integrity" throughout the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

During the reporting period, the Group did not violate any laws and regulations relating to bribery, extortion, fraud and money laundering.

5.4 Product Responsibility

The customers of the Group mainly comprise the municipal administrative authorities of the local governments and power grid companies. Pursuant to the “Concession Agreement” entered into between the Group and the municipal administrative authorities of the local governments, the Group provides waste treatment service to the municipal administrative authorities and receives waste treatment fee. The amount of processed waste is measured with the equipment monitored by both parties and the waste treatment standards are in line with the relevant technical and emission standards. The “Concession Agreement” stipulates the waste treatment fee will be reviewed and adjusted on a regular basis. The Group is dedicated to provide quality and professional waste treatment service to municipal administrative authorities of the local governments, so as to improve urban environment and establish a brand image.

5.5 Supply Chain

The Group mainly procures equipment, construction and installation services and consumables. The Group maintains a database of suppliers and, in accordance with the procurement procedures and policies it established, selects suppliers publicly based on their merits through bidding and other procedures as permitted by laws. The Group will enter into procurement contracts with the selected suppliers and make payment at the time the suppliers provide products or services. The Group values the relationship with suppliers and has established long term cooperation with them based on the principles of “fairness and mutual benefits”.

5.6 Community Investment

The corporate social responsibility policy established by the Group covers the investment in community. We call for the establishment of harmonious relationship between villages and enterprises as well as between communities and enterprises. We also actively participate into community events to show our care for the community and make contribution to community affairs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

INDEX OF THE ESG GUIDE OF THE HONG KONG STOCK EXCHANGE

| ESG Index | Key Performance | Description | Chapter(s) |
|----------------------|---------------------------------------|---|----------------|
| Environmental | | | |
| A1 | Emissions | Policies relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste; and compliance with relevant laws and regulations that have a significant impact on the issuer. | 4.2.1 to 4.2.4 |
| A2 | Use of Resources | Policies on the efficient use of resources, including energy, water and other raw materials. | 4.3 |
| A3 | The Environment and Natural Resources | Policies on minimizing the issuer's significant impact on the environment and natural resources. | 4.2.1 to 4.3 |
| Social | | | |
| B1 | Employment | Policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare; and compliance with relevant laws and regulations that have a significant impact on the issuer. | 5.2 |
| B2 | Health and Safety | Policies relating to providing a safe working environment and protecting employees from occupational hazards; and compliance with relevant laws and regulations that have a significant impact on the issuer. | 5.2.1 |
| B3 | Development and Training | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | 5.2.3 |
| B4 | Labor Standards | Policies relating to preventing child and forced labor; and compliance with relevant laws and regulations. | 5.2.4 |
| B5 | Supply Chain Management | Policies on managing environmental and social risks of the supply chain. | 5.5 |
| B6 | Product Responsibility | Policies relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress; and compliance with relevant laws and regulations. | 5.4 |
| B7 | Anti-corruption | Policies relating to bribery, extortion, fraud and money laundering; and compliance with relevant laws and regulations. | 5.3 |
| B8 | Community Investment | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | 5.6 |