

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2016



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ABOUT THIS REPORT

This is the first environmental, social and governance (“ESG”) report published by Guangdong Investment Limited (hereinafter referred to as “Guangdong Investment” or the “Company”, and together with its subsidiaries, collectively referred to as the “Group”, “we” or “us”). This report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

When preparing this report, the Company has maintained adequate communication with its stakeholders through third-party independent advisers and has striven to ensure the information disclosed herein is in compliance with the four reporting principles of materiality, quantitative, balance and consistency under the ESG Reporting Guide required by the Stock Exchange. The Group will continue to strengthen its collection of reporting information, so as to enhance its performance of social responsibilities and relevant disclosures.



SCOPE OF THE REPORT

This report summarises the efforts made by and accomplishments of the Group in corporate social responsibility during the period from 1 January 2016 to 31 December 2016. This report covers areas of corporate governance, environmental protection, employee care and community investment. Our operations cover six business segments, namely, water resources, electric power generation, property investment and development, department store operation, hotel operation and management as well as road and bridge operation.





CONTACT INFORMATION

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ABOUT GUANGDONG INVESTMENT

Company Profile

Guangdong Investment Limited, formerly known as Union Globe Development Limited (“Union Globe”), was incorporated in 1973 and obtained its listing status on the stock market in Hong Kong in the same year. In January 1987, an enterprise owned by the Guangdong provincial government acquired a majority stake in Union Globe and changed its name to Guangdong Investment Limited in July 1988. The Company (stock code: 0270) is currently listed on the Main Board of the Stock Exchange and is a constituent stock of the Hang Seng China-Affiliated Corporations Index and the Hang Seng Composite Industry Index - Utilities. As at the date of publication of this report, the Company’s controlling shareholder, 廣東粵海控股集團有限公司 (Guangdong Holdings Limited, hereinafter referred to as “Guangdong Holdings”), holds approximately 56.49% shareholding interest in the Company through its wholly owned subsidiary, GDH Limited. GDH Limited is the largest conglomerate of Guangdong Province operating outside Mainland China.

The Group is principally engaged in six core businesses, namely, water resources, electric power generation, property investment and development, department store operation, hotel operation and management as well as road and bridge operation. The water resources business mainly covers natural water supply, tap water supply, sewage water treatment and waterworks construction. The natural water supply business is conducted under the Dongshen Water Supply Project, which provides natural water to Hong Kong, Shenzhen and Dongguan. The tap water supply business mainly consists of the Wuzhou Water Supply Project, the Meizhou Water Supply Project and the Danzhou Water Supply Project. The total water supply capacity of the tap water supply business is 2,440,000 tons per day. The sewage water treatment business includes the Meizhou Sewage Project, the Wuzhou Sewage Project and the Jinsheng Sewage Project. The total waste water processing capacity of the sewage water treatment business is 393,000 tons per day.

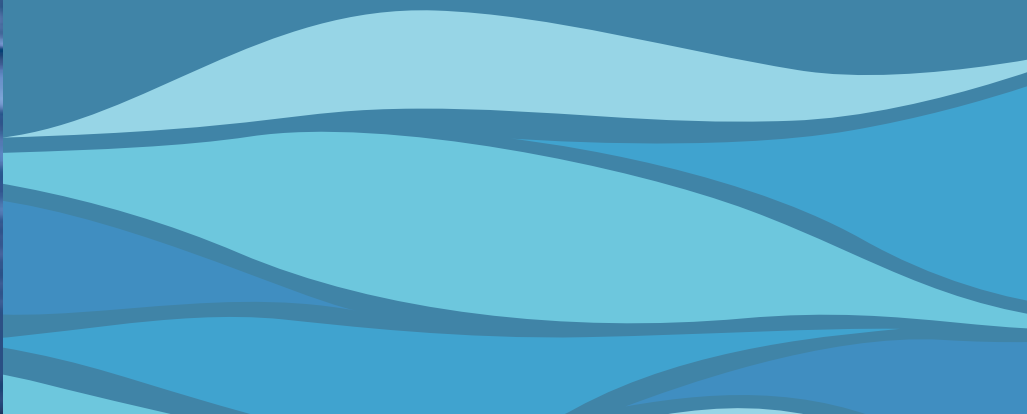




The electric power generation projects mainly consist of the Zhongshan Power Plant Project and the Yudean Jinghai Power Project. The Zhongshan Power Plant Project has two 300 MW heat and electricity generators. The total installed capacity of the Yudean Jinghai Power Project (of which the Group holds a 25% effective interest) is 3,200 MW. The road and bridge business is conducted under the Xingliu Expressway Project which comprises a main line of 99.6 km in length and three connection lines (to Xingye, Guigang and Hengxian) with an aggregate length of 52.7 km.

The property investment and development business mainly consists of the Guangzhou Teem Project, the Tianjin Teem Project and the Panyu Wanbo CBD Project. Department store operation business includes the Guangdong Teemall Department Store and the Teemall Wanbo Department Store.

With regard to hotel operation and management business, the Group owns or lease-owns six hotels in Hong Kong and Mainland China, including The Wharney Guangdong Hotel Hong Kong, Guangdong Hotel (Hong Kong) and Sheraton Guangzhou Hotel. In addition, as at the year end of 2016, the Group's hotel management team managed a total of 42 hotels in Hong Kong, Macau and Mainland China.



Company Strategy

The Group is committed to optimising its operational efficiency and expanding its core businesses so as to generate continuous and steady investment returns for shareholders. By optimising its asset portfolio, strengthening capital operation, enhancing management standard and corporate governance, the Group endeavours to further strengthen its competitive strengths, enhance its market influence and provide strong support for the long-term, steady and sustainable development of the Group.

According to its strategic development plan, the Group will continue to develop its water resources business in a proactive and prudent manner and explore market investment opportunities in areas such as untreated water supply, urban water supply, sewage treatment and water supply construction projects. The Group will fasten the pace of project acquisitions and enhance the ability to develop new business in an effort to further expand its scale, while continuing to optimise its asset structure and facilitate further business integration.





Faced with the trend of globalisation, the Group will continue to capitalise on Hong Kong's status as an international financial centre, improve its capital utilisation efficiency, strengthen its capital management capabilities and facilitate capital value enhancement. Meanwhile, the Group will optimise its human resources operations and further improve the professionalism of its management. The Group will step up its efforts in strengthening corporate culture and increase corporate core competitiveness.

Please refer to the 2016 annual report of Guangdong Investment for more details relating to the business operations and financial conditions of the Group (www.gdi.com.hk/en_US/investor-relations/financial-reports).

CORPORATE SOCIAL RESPONSIBILITY STRATEGY

As a responsible company, Guangdong Investment believes that in addition to the interests of our shareholders, our operation also affects each stakeholder. Accordingly, we always take into account our stakeholders' interests in making our decisions. Through formulating communication objectives with stakeholders, we have obtained advice and recommendations from stakeholders on the development of Guangdong Investment via a number of channels. In addition, we have identified ESG issues which are material to our stakeholders and our operations and carried out scientific assessment and analysis on these issues, which serve as important reference for corporate decision-making.

Based on our development and with reference to the ESG Reporting Guide issued by the Stock Exchange, our corporate social responsibility strategy is mainly divided into three parts:



We hope the publication of this ESG report serves as an important channel for stakeholders to obtain information on the ESG performance of Guangdong Investment. Accordingly, we have devoted great efforts in preparing this report and making comprehensive disclosure of our performance for this fiscal year.

ESG STRUCTURE AND DIVISION OF RESPONSIBILITIES

The Board of the Company, being the highest decision-making entity in our ESG structure, is responsible for the leadership, decision-making and supervision of our ESG performance. Guangdong Investment has established various divisions at subsidiary level to regularly formulate environmental and social objectives on an annual basis, implement various measures, collect information and submit to the headquarters for coordination.

Board and Senior Management of Guangdong Investment

- Coordinate ESG performance
- Strategise decision-making
- Review and approve plans

Various divisions at subsidiary level

- Formulate ESG management objectives
- Execute ESG management tasks
- Environmental and social information reporting

ESG ISSUES

The ESG Reporting Guide states that a listed company has to report on material issues and the matters disclosed shall also be associated with the business of the company. As the core business segments of the Company relate to different stakeholders, the degree and level of materiality of each ESG issue will vary:



Water resources

- Environment and natural resources
- Hazardous waste management
- Sewage treatment quality



Electric power generation

- Emissions
- Land use
- Community relations



Property investment and development

- Green building
- Energy efficiency
- Resources utilisation



Department store operation

- Product liability
- Customer satisfaction
- Supply chain management



Hotel operation and management

- Waste management
- Energy and water saving
- Environmentally friendly products



Road and bridge operation

- Road safety
- Service quality control
- Energy consumption

COMMUNICATION WITH STAKEHOLDERS

With respect to the features of our business segments, we have identified the following categories of stakeholders which are crucial to the development of Guangdong Investment and formulated relevant communication objectives and channels for each stakeholder category so as to know more about their advice on the ESG issues stated above:

Communication with stakeholders in day-to-day operation





Stakeholder categories	Communication objectives	Channels
Government departments and regulatory authorities	<ul style="list-style-type: none"> • Comply with the laws and regulations of the place of business • Make tax payment in accordance with the laws • Maintain a sound relationship with the local government • Support the local government's rule by law • Satisfy the compliance requirements of regulatory authorities 	<ul style="list-style-type: none"> • Understand the latest laws and regulations • Understand the compliance requirements of regulatory authorities • Initiate active communication to facilitate understanding between the parties
Shareholders and investors	<ul style="list-style-type: none"> • Enable investors to keep abreast of the Company's development • Gain investors' trust • Gain investors' support on management's decision-making • Maximise investment returns for investors 	<ul style="list-style-type: none"> • Regularly publish financial and operating information and data • General meeting • Initiate active communication to address investors' concerns
Employees	<ul style="list-style-type: none"> • Understand employees' views on the Group's development • Collect employees' recommendations for improvement • Understand the needs of employees • Enable employees to understand the growth direction of the Company • Strengthen cohesion of the team • Offer a work environment that is suitable for self-development of employees 	<ul style="list-style-type: none"> • Employee occupational health and safety training • Employee care • Open recruitment • Company union • Cultural and sports events for employees • Opinion platform

Consumers	<ul style="list-style-type: none"> • Understand consumers' views on the products • Provide products that cater for consumers' needs • Provide dedicated services to consumers • Safeguard consumers' personal information • Formulate marketing strategies that better meet business ethics 	<ul style="list-style-type: none"> • Compliant marketing communication • Corporate information disclosure • Product information disclosure • Consumer complaints and feedback channel
Business partners and suppliers	<ul style="list-style-type: none"> • Build a long-term and stable partnership • Create a win-win outcome • Achieve an atmosphere of mutual trust • Join hands to deal with environmental, social and governance matters 	<ul style="list-style-type: none"> • Ongoing communication mechanism • Responsible procurement policy • Open and fair procurement guidelines • Senior level communication and visits
Local community	<ul style="list-style-type: none"> • Create social value for the place of business • Facilitate the economic development of the place of business • Safeguard the interest of local residents • Protect the local environment 	<ul style="list-style-type: none"> • Organise community events • Strengthen community communication • Integrate environmental protection elements into the course of design • Engage in active exchange with local government and organisations

In preparing the ESG report, we have actively obtained the advice of various categories of stakeholders through different channels to understand their concerns and recommendations on the ESG performance of the Group. Going forward, we will use it as an important reference for our policy formulation and project implementation. A third-party professional entity was engaged to carry out comprehensive communication with all the stakeholders from a multi-angle perspective via face-to-face meetings, phone interviews, questionnaires and site visits, and the issues the stakeholders most concerned with were selected for disclosure in this report.

MATERIALITY ANALYSIS ON ESG ISSUES

Effective ESG management requires comprehensive identification and materiality analysis by a company on relevant issues, thus laying a solid foundation for its own management and information disclosure. Through active communication with stakeholders, coupled with internal management's expectations of its own development, Guangdong Investment, with the assistance of a third-party professional entity, has identified the following ESG issues and carried out analysis on the materiality of the issues from two perspectives, namely, "their materiality on stakeholders" and "their materiality on Guangdong Investment's development", which form a materiality matrix for Guangdong Investment's ESG issues and basis for Guangdong Investment to formulate the ESG management guidelines and the scope of disclosure for this report. With respect to the communication with stakeholders, during the year, we conducted a survey with more than 200 stakeholders internally and approximately 50 stakeholders externally via various means including questionnaires and interviews. The following sets out a list of the material issues and material issue matrix after our analysis:

-  **Step 1** Identify potential issues – screen out the initial reference issues with reference to the ESG Reporting Guide of the Stock Exchange.
-  **Step 2** Stakeholders questionnaire – understand and analyse the issues of concern to stakeholders via online questionnaires and interviews.
-  **Step 3** Ranking the issues by materiality – prepare the ESG materiality matrix based on the results of the questionnaire.
-  **Step 4** Effective verification and examination – confirm the materiality issues after verification by the management of the Company and a third party.

ESG aspects	ESG issues	Materiality issues selected
A1 Emissions	Waste treatment such as recycling or reuse of materials, and proper treatment of waste equipment	<input type="radio"/>
	Sewage treatment	<input checked="" type="radio"/>
	Greenhouse gases emission (such as CO ₂)	<input checked="" type="radio"/>
A2 Use of Resources	Energy consumption and energy saving measures (such as electricity use)	<input checked="" type="radio"/>
	Water resources utilisation and water saving performance	<input checked="" type="radio"/>
	Use of raw materials and supplies (such as construction materials and hotel supplies packaging)	<input type="radio"/>
A3 The Environment and Natural Resources	Environmental protection technology R&D and utilisation (such as new environmentally friendly processes and materials)	<input type="radio"/>
	Emphasis on bio-diversity	<input type="radio"/>
	Compliance with relevant environmental protection regulations	<input checked="" type="radio"/>
B1 Employment	Employee background (such as gender, age, region and race) diversity and equal opportunity	<input checked="" type="radio"/>
	Human rights protection	<input type="radio"/>
B2 Health and Safety	Safeguard employee occupational safety and health	<input checked="" type="radio"/>
B3 Development and Training	Employee remuneration package, development and training	<input checked="" type="radio"/>
B4 Labour Standards	Prohibition of child and forced labour	<input type="radio"/>
B5 Supply Chain Management	Environmental performance assessment of suppliers/contractors/service providers	<input checked="" type="radio"/>
	Labour code compliance assessment of suppliers/contractors/service providers	<input checked="" type="radio"/>
	Human rights performance assessment of suppliers/contractors/service providers	<input type="radio"/>
	Community performance assessment of suppliers/contractors/service providers	<input type="radio"/>

B6 Product Responsibility	Safeguard customers' health and safety	
	Safeguard quality of products and services	
	Safeguard intellectual rights	
	Safeguard customers privacy and personal information	
	Comply with regulations relating to products and services	
	Comply with regulations relating to marketing	
	Handle customer complaints	
B7 Anti-corruption	Anti-corruption	
B8 Community Investment	Community contributions (at business level, such as employment of local residents and engagement of local suppliers; at non-business level, such as participation in charitable activities)	
	Impact of daily operations on the surrounding community	
	Comply with regulations relating to the community	

ENVIRONMENTAL PROTECTION



Environmental protection is one of the key focuses of Guangdong Investment in fulfilling its social responsibilities. We believe in harmony between man and nature. Business development and environmental protection must also be coordinated. Accordingly, we endeavour to safeguard the natural environment in our place of business and strictly follow the Environmental Protection Law of the People's Republic of China to minimise energy consumption and greenhouse gas emissions and reduce the impacts of our operations on the local environment.

ENERGY SAVING, EMISSION REDUCTION AND GREEN OPERATIONS

As part of the overall environmental protection policies, the Group has relevant policies in place for each business segment to ensure the environment and natural resources are not exploited by our operations.

Teem Plaza and Teemall Department Store

Teem Plaza is situated at a prime location in Guangzhou and is one of the most popular shopping malls. Taking Teem Plaza as an example, it has devoted relevant resources to its waste management, particularly the management of domestic waste and food waste of the property. Through the coordination of Teem Plaza's professional team, the domestic waste produced at Teem Plaza is collected and delivered by the City Appearance Environmental Sanitation Management Station in Tianhe Road South, Tianhe, Guangzhou, whereas food waste is collected and delivered by the Guangzhou Environmental Sanitation Mechanical Equipment Factory. These recycling companies possess relevant qualifications to ensure the waste collected is properly treated.

With respect to energy saving, our department store operation segment – Teemall Ao Ti Store actively explores various energy saving methods. Since 2012, power consumption has been greatly reduced. Through conducting an energy review, the store became aware that lighting and air-conditioning were the main sources of power consumption. Accordingly, the store focused its efforts on lighting and adopted the "Energy Performance Contracting" (EPC) model by replacing 1,927 "T8" fluorescent lamps and 2,990 large bow lamps with LED lamps to improve energy consumption.

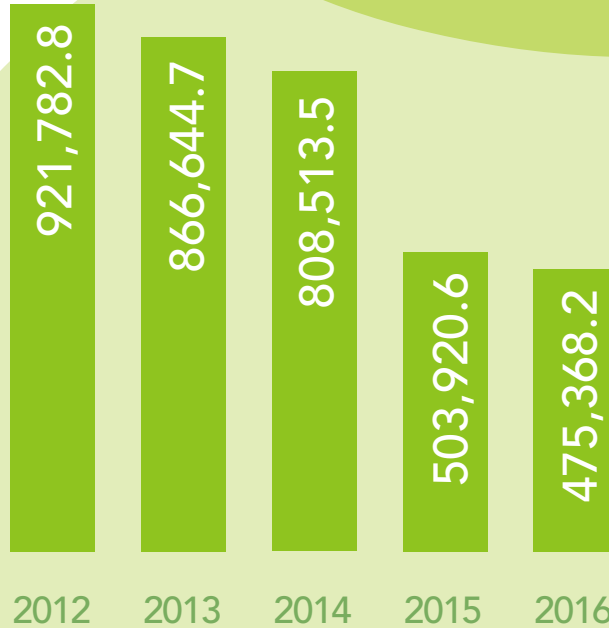


LED lamps at Ao Ti Store

Case 1 – Ao Ti Store energy saving improvement

Ao Ti Store underwent two rounds of energy saving improvement. After completion of the first round in relation to T8 lamps in November 2012, average monthly power savings reached 4,574 kWh over the same period in the previous year. After completion of the second round in relation to replacement of big bowl lamps in November 2014, average monthly power savings reached 30,758 kWh over the same period in the previous year.

Total electricity
consumption of
Ao Ti Store
(unit: kWh)



Case 2 – Teem Plaza green operations

Teem Plaza also performed remarkably well in other aspects of its green operations. Examples include:

- (1) A ceiling improvement was carried out at Teemall where all the existing ceiling lamps in the public area (12,160 pieces/total gross power 158.08 kWh) were changed to new LED energy saving lamps (3,391 pieces/total gross power 44.66 kWh). Following the improvement, hourly power savings of the new energy saving lamps reached 113.42 kWh. Based on the business hours of the shopping mall (12 hours), daily power savings amounted to over 1,000 kWh, translating into around 1,500 MW for a three-year period.
- (2) Teem Plaza, having met the sewage discharge standards, has enjoyed a 50% reduction in urban sewage treatment fee starting from July 2011. Up to 31 December 2016, it continued to enjoy a 50% reduction in urban sewage treatment fee for a monthly sewage discharge of 35,290 m³ and saves water charges of more than RMB200,000 each year.
- (3) Teemall has a sewage flotation facility in place for sewage treatment. It was originally designed to use tap water as the source of dissolved air water. After technological improvement of the sewage treatment system, reclaimed water is used instead of tap water as the source of dissolved air water such that reclaimed water is recycled. It is estimated that water savings reach approximately 36,000 m³ each year and sewage treatment fee of more than RMB80,000 is saved each year.
- (4) All these years Teemall is dedicated to optimising and improving the operational process and equipment power supply and distribution. As such, the high voltage power factor remains at above 0.9, meeting the state requirements on high voltage power supply and distribution system. For the three years from 2013 to 2015, gross tariff returns from the power supply bureau for power factor adjustment amounted to over RMB1,100,000.

GH Water Supply

The quality of water supply and the water supplier's long-term operations and sustainable development are directly affected by the environment surrounding the water sources. Guangdong Yue Gang Water Supply Company Limited (hereinafter referred to as "GH Water Supply"), a subsidiary of Guangdong Investment, has attached great importance to the impacts of its scope of operations on the environment and integrated the element of environmental management into its routine management in fulfilling its responsibilities toward the environment. We also strictly comply with environmental laws and regulations and adopt modern management methods to manage our impacts on the environment in a regulated manner.

In 2008, GH Water Supply obtained the international quality management system certification ISO9001 and successively formulated the Water Quality Control Regulations, Water Quality Monitoring Management Regulations, Water Quality Emergency Response Plan, and other policies to regulate daily production. GH Water Supply also actively optimised and utilised advanced production process to provide efficient solutions for a safe, high-quality and energy saving water supply. The environmental management system also covers office waste and office energy savings so that environmental management is effectively implemented.

Zhongshan Power Plant

While release of pollutants during production and transportation of raw materials of a thermal power plant is inevitable, Zhongshan Power Plant gives emphasis to its commitments to launch environmental protection measures. When constructing the two 300MW power generators, it aimed at positioning the plant of the expansion project as a "Green Plant". Old coal-fired steam turbine generators were replaced and advanced technology of higher standard was applied to reduce emissions through water, gases and dust treatments. Zhongshan Power Plant has fulfilled its social responsibilities and has exceeded the "ultra-low" flue gas emission target to achieve clean emission.

Headquarter and Office

Guangdong Investment upholds a green strategy which promotes an all-round green office targeted at energy saving and emission reduction with a view to achieving an energy efficient and environmentally friendly workplace by introducing a paperless office, switching to energy efficient facilities, strengthening energy saving promotion, requiring employees to implement “eight offs” before leaving the office and centralised management of office-use vehicles.

We have formulated a number of energy saving measures for the office. The cooling and lighting systems in the office are closely related to energy utilisation. Taking our Guangdong Investment Tower in Hong Kong as an example, firstly, with respect to the cooling system, we encourage colleagues to readily switch off the air-conditioner when leaving the office and set the temperature of the air-conditioner in the office to 26°C or above. In addition, our operations department adjusts the temperature of the water-side system on a quarterly basis to minimise unnecessary power wastage in the cooling system. We also regularly inspect the water-side pipe thermal system to reduce wear and tear and avoid additional power loss.

As to our lighting system, we have installed a timing equipment which automatically turns off lights during non-office hours. In addition, we also educate employees to save resources and encourage them to timely turn off non-essential lights at lunch hour (non-office hours). All lights must be turned off when leaving meeting rooms. At the same time, the Company has also switched to LED lighting to increase energy efficiency. Furthermore, we also encourage employees to turn off office equipment including their own PCs after work.

In addition, a variety of recycling activities have also been carried out in the building. A used book recycling campaign is organised every year. In this resourceful city, some used books in good condition might have been thrown away. To some people, these books are precious treasures of knowledge. In 2016, the organiser arranged a resale of the used books recycled at the building and the proceeds were donated to Tianjin Wuqing Children Rehabilitation Centre to help disadvantaged children. Moreover, a large volume of waste is produced in Hong Kong after every Mid-Autumn Festival. In this regard, the mooncake box recycling event was organised at the building every year. In addition to mooncake boxes, arrangements were also made for recyclers to collect recycling materials, such as paper, aluminium cans and plastic bottles.

COOPERATION WITH PARTNERS

Cooperation with tenants, customers and business partners

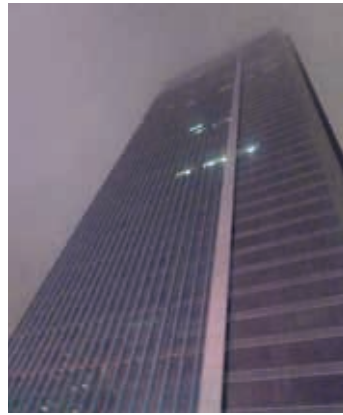
We also actively promote our green strategy to our partners. Through cooperation with tenants, customers and business partners, we hope to encourage the community toward sustainable development. Taking Teem Plaza as an example, the following environment-related events have taken place in the past few years:

Case

- (1) Guangdong Teem (Holdings) Limited (hereinafter referred to as "GD Teem") actively participated in and organised various environment-related activities. It participated in the Earth Hour lights out event in the past few years, and encouraged the tenants of the shopping mall and Teem Tower to participate. During the event, lights inside and outside the building were turned off.
- (2) Our tenant, AEON, organised the "Keep Clean Day" in the past three years mainly to clean the streets surrounding the Teem Plaza.
- (3) The "Gift changing for a green future – e-waste gift redemption event" was organised jointly with our tenant, Sony (China) Co., Ltd.
- (4) The "Spring DIY Succulent Potting" event was organised and was well received by the tenants of Teem Tower and employees of GD Teem.
- (5) In cooperation with Guangzhou Vertical Circuit Sports Development Co., Ltd., the 2016 International Vertical Marathon – Teem Tower Sub-race was held on 29 May 2016 in the Teem Plaza North and the Teem Tower. This event encouraged people to participate in stairs climbing and inspired enthusiasm for physical exercise.
- (6) On 24 December 2016, a flash mob activity themed "Dance Everywhere" was jointly held in Teem Plaza North with Consulate General of the Kingdom of the Netherlands in Guangzhou and 203Y Dance Theater to promote healthy, low-carbon, relaxing, dynamic and creative lifestyles.



Before lights off



After lights off



Participation in Earth Hour



2016 International Vertical Marathon
- Teem Tower Sub-race



Flash mob activity themed "Dance Everywhere"

Implementing green procurement

Adhering to the "sunshine" procurement management philosophy, we have formulated a stringent and regulated management system as well as a supply chain policy to require our suppliers to meet certain green standards. GD Teem has attained 100% responsible procurement for five consecutive years, whereas the hotel management companies have also achieved a rate of over 90% for five consecutive years. For Guangdong Hotel (Zhu Hai), the hotel has reviewed the supplier pool and compiled a list of qualified suppliers with priorities to those who supply environmentally friendly products. The hotel also states the environmental protection requirements in the contract to monitor the suppliers' performance.

CARING FOR EMPLOYEES

Employees are fundamental to the survival and development of a company. Through regulating the code of conduct, structuring a complete benefits system, providing comprehensive scientific professional training, introducing a variety of recreational facilities and building a holistic mind and physical system, we have created a quality working environment with good working atmosphere to give employees a sense of belonging and allow them the opportunity to grow with the Group.



DIVERSITY AND EQUAL EMPLOYMENT POLICY

In the course of development, Guangdong Investment truly understands that only the most outstanding team can offer the best products and services to consumers. Guangdong Investment adheres to diversity and equal management policy in employee management so that its team members with different backgrounds can integrate with each other in areas of profession and culture. At the same time, our subsidiaries in Mainland China strictly follow the provisions of the new Labour Law and have made payment for “five insurances and one fund” for their employees in a timely manner. We also purchase critical illness insurance and personal accident insurance for our employees. Other benefits including body checks, heat control subsidies and single child subsidies are provided. Apart from taking relevant measures to ensure that our employees are entitled to statutory leave benefits, the Company has also provided them with additional leave benefits, such as marriage leave, bereavement leave and casual leave. We have also taken into full consideration of the industry characteristics in arriving at employees’ remuneration packages so that the Group’s employees can perceive our appreciation of their work.

Guangdong Investment follows the principles of “fairness, justice and openness” in areas of recruitment, remuneration distribution and promotion. Among which, as to recruitment, all forms of gender, race, religion and age discrimination are prohibited. We implement a dual (both ability and integrity) selection approach on merit basis. As to promotion, we endeavour to create an environment with fair competition and implement a “compete for post” approach in adherence to the principle of equal opportunities for job promotion. As to remuneration packages, we stick to the principles of “distribution according to work, remuneration determination according to position and same remuneration for same post” to provide an equal employment environment for talented professionals.

GD Teem

GD Teem, a subsidiary of Guangdong Investment, organises the poverty alleviation and the “Autumn Student” (金秋助學) campaign respectively before the Chinese New Year and during the Mid-Autumn Festival and National Day holidays every year. In carrying out the poverty alleviation events, it will first issue notice to various subsidiaries requiring them to carry out thorough investigation on the current conditions of employees with difficulties. Subsequently, it will convene a special meeting on poverty alleviation where the chairmen of various unions will consolidate the list of employees with difficulties and formulate principles and standards on poverty alleviation. Finally, various unions will organise visits to send their holiday blessings and consolation money.



In 2013, we assisted
14 employees with
difficulties.

In 2014, we assisted
8 employees with
difficulties.

In 2015, we assisted
16 employees with
difficulties.

In 2016, we assisted
23 employees with
difficulties.

In addition to providing assistance to employees with difficulties, the Group also regularly organises recreational activities for employees to maintain work-life balance. For example, the employees of the headquarters of GD Teem joined hands with the employees of Guangdong Teemall Department Stores Ltd. (hereinafter referred to as "Teemall Department Store"), Teem Properties and Sheraton Guangzhou Hotel etc., approximately 180 persons in aggregate, to attend the sports games held at the end of 2016, which built up cooperation and understanding between the employees. Not only was this event full of fun, it also helped strengthen communication and enhance cohesion. Organising these employee events at the end of the year allows employees to embrace the new challenges ahead in a more upbeat manner.



GD Teem employees joined sports games, strengthened communication and enhanced cohesion

Zhongshan Power Plant

To meet the new operation and management requirements for the running of its new power generation units, Zhongshan Power Plant completed the restructuring of its organisation structure and the building of a new compensation system in 2016. After careful planning and listening to the views of relevant parties, Zhongshan Power Plant launched the competing recruitment policy and procedures so as to promote the “compete for post” amongst all of its staff. The competition process had strict procedures, achieving a smooth transition of 309 employees, and creating a good atmosphere of competency through two-way selection and fair competition. It also conducted promotion and compensation levels assessment for new staff who had completed their three-month probation period in order to motivate employees who showed outstanding ability, excellent performance and high corporate loyalty. In addition, Zhongshan Power Plant took full consideration of the implementation of the policy of resettlement and retirement to alleviate staff concerns and ensure the stability of personnel.



Employees of Zhongshan Power Plant enjoying staff recreational activities

To meet its demand for reserve talents, Zhongshan Power Plant has taken two approaches. On the one hand it filled the job shortage in a timely manner by hiring 10 staff and kicking off campus recruitment which supplemented reserve talent pool with nearly 20 persons, striving to meet its production and operation needs. On the other hand, an annual training programme was organised to focus on the skills and business training of its staff at all levels. 84 training programmes were completed and up to 305 people were enrolled, striving to improve the existing staff operation and business performance. This plays an indispensable role in ensuring the stability and efficiency of business operation.

OCCUPATIONAL HEALTH AND SAFETY

To strengthen the management of production safety and with reference to the Administrative Measures on Documentation of Production Safety of Guangdong Holdings Limited, Measures for Examination of Production Safety of Guangdong Holdings Limited (Trial), Administrative Provisions on Production Safety of Guangdong Holdings Limited and Notice on Entity Establishment, Staffing regarding Production Safety of Subsidiaries of Guangdong Holdings Limited and the Comprehensive Emergency Plan regarding the Contingencies of Guangdong Holdings Limited, the Company set up an emergency leadership squad to formulate emergency plans. The Company is in strict compliance with relevant policies and attaches great importance to employees’ physical and mental health. Comprehensive management of employees’ health and safety is implemented from policy formulation to daily regulation of conduct and professional auxiliary support.

Attention and prevention of occupational diseases is fundamental to safeguarding the mental and physical health of employees of the Group. In addition to engaging employees in occupational body-checks, we also help employees enhance mental and physical health through formulating the relevant systems, improving the working environment, providing occupational disease protective devices and strengthening promotion of occupational disease prevention. For example, GH Water Supply has formulated the Administrative Provisions on Occupational Health which set out the terms of reference of the management entity and various departments, major causes of occupational hazards, inspection requirements on working environments with potential occupational hazards and frequency of body checks for workers.

At the same time, we strictly follow the state and regional laws and regulations to purchase social insurance and employer liability insurance for all employees in an effort to create a comfortable and carefree working environment for employees. During the year, no loss or death due to work injury was incurred.

Zhongshan Power Plant

In the course of business, Zhongshan Power Plant places great emphasis on the safety and health of employees. It strictly implements work safety via safety standardisation and takes responsibility for each employee and resident of the surrounding neighbourhood. Zhongshan Power Plant kicked off the development project for second-class production safety standardisation in April 2016. A total of 20 safety checks were carried out throughout the year. In response to the spirit enshrined at the Group's safety work conference, a special safety check was carried out. 82 areas for improvement were identified and 37 rectification notices on safety risks were issued. The rectification rate for safety risks was 100%. In 2016, Zhongshan Power Plant carried out three safety drills, namely the Wind and Flood Prevention Plan, Liquid Ammonia Leakage Accident Emergency Plan and Fire Accident Emergency Plan.



Zhongshan Power Plant launched the fire precaution drill jointly with local fire force

In conclusion, Zhongshan Power Plant performed remarkably well in production safety in 2016. In 2016, the production safety of the new generation units remained stable and no incident relating to production safety liability was identified. Production safety remained stable. Production safety efforts were under control and the generation units were continuously running in a safe manner.

OCCUPATIONAL DEVELOPMENT AND TRAINING

Growth of employees drives the development of a company. Guangdong Investment attaches great importance to personnel development, training and reserve. To achieve this, we actively optimise the employee training system, endeavour to expand the career development path of employees and fully explore the growth potential of employees. Through building a reasonable career ladder, we stimulate team development and ensure employees make the most of themselves.

Guangdong Investment formulates the annual training plan based on the corporate strategies and business needs by the special development team at the beginning of the year. Major details of the plan include personnel training system, lecturer course programme, business support and sustainable occupational development studies. Upon drafting of the training programme, it will be submitted to the department head and management of the Company for review and approval. Subsequent training programmes will commence based on the annual plan.

QUALITY CONTROL

Guangdong Investment insists on providing the highest standard of services and products to customers. With respect to supply chain and quality of service, we place great emphasis on communication with suppliers and customers. Apart from this, we are also committed to combating corruption and enhancing the level of corporate governance to create more value for customers and investors.



The Dongshen Water Supply Project has been one of the key businesses of the Group. The Water Project commenced operations in March 1965 mainly for the purpose of addressing the water supply problems faced by Hong Kong. It is a large scale system that takes water from Dongjiang River and transports it approximately 68 kilometres to Hong Kong. Along the way, it also supplies water to Shenzhen and Dongguan. In order to improve the quality and reliability of water supply and to provide additional capacity to meet increased demand in the future, the project has undergone a series of renovation work in 2000 (the "Renovation Project"). The Renovation Project upgraded the original water project and original facilities into a protected water supply system and increased transport capacity for the Water Project. Water supply channels and canals were enclosed in order to prevent pollutants from being discharged into the waterway. The Renovation Project was completed in 2003 and the annual capacity of water supply of the Water Project is about 2.423 billion m³. The Water Project is the main source of water supply in Hong Kong.

To ensure that the water quality meets the highest standard, stringent management objectives and effective management solutions have been formulated for our water supply project according to the requirements on quality, environment and occupational health and safety management systems.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Construction Project

All our major projects are subject to open, fair and impartial bidding process to select suitable suppliers. In addition, we put much emphasis on industrial safety and maintain close contact with various major suppliers to ensure that suppliers are in compliance with the relevant local laws and regulations in the course of construction. We have formulated the Administrative Measures for Bidding which state the duties and responsibilities of various departments in the bidding and procurement process and regulate construction projects with different budgets. We maintain strict discipline toward bidding. This is crucial for ensuring the progress, quality and safety of construction projects.

Other Bidding Projects

Other bidding projects are also subject to our stated fair process. With respect to certain procurement products, we will look into the feasibility and endeavour to implement responsible purchasing to select products that are more environmentally friendly.

SERVICE QUALITY CONTROL

Teem Tower and Teemall

We put great emphasis on public health and safety and manage our properties on a centralised basis according to actual circumstances. Among which, in Teem Tower, non-smoking billboards are placed on floors with frequent smoking violations to remind the tenants of the smoking restriction. In case of smoking violations, a written warning will be sent to the companies in which the violators are employed and an explanation will be made to the tenants of the concerned floors. For tenants which have received a warning but violations continue, such violations will be published at the management office of the building. At the same time, with respect to the fire safety of Teem Tower and Teemall, 17 relevant administrative policies and emergency response plans have been formulated, including the Administrative Measures for Warehouse of Tenants of Teem Tower, Administrative Measures for Security Check of Teem Tower, Manual on Maintenance of Fire Control Equipment, Fire Control Emergency Plan, Regulations on Fire Safety and Employee Fire Safety Requirements.

Case Study

Pursuant to the Regulations of Property Management of Teemall, the provisions relating to cigarette-smoking prohibition in the shopping mall are as follows:

Article 55

Sitting, eating, drinking and smoking by shop personnel are prohibited in the indoor public area (corridor) and fire escape stairway.

Article 56

Smoking is prohibited in Teemall. In the event that customers are found smoking inside the unit leased, the shop personnel should stop them at once.

Article 139

Smoking and burning are prohibited in the shopping mall.



Guangdong Investment launched the pre-Chinese New Year fire safety inspection project in Guangzhou Trade Plaza

Teemall Department Store

To cope with customers' demand for quality service, the Policy on Customer Satisfaction Survey of Teemall Department Store was formulated by Teemall Department Store to further improve the work quality at various departments and retail outlets as well as the framework of the customer satisfaction survey. It also strictly implements the "first inquiry accountability" system and sets aside a special fund for handling complaints. In addition, it continues to simplify the procedures for the use of fund. Teemall Department Store also optimises after-sale services, among which, the improved return policy, delivery, group buying and convenient services provide a more intimate shopping experience for customers. In maintaining customer relationships, Teemall Department Store makes use of a customer relationship management system to maintain effective communication. To uphold product quality, the company has established and implemented the ISO quality system.

Case Study

Teemall Department Store endeavours to provide the highest quality service to customers. Taking a customer-oriented approach, it adheres to the principles of "providing more professional and dedicated services" in strict compliance with the Product Quality Law of the People's Republic of China, Law of the People's Republic of China on Protection of Consumer Rights and Provisions on Certain Replacement/Return of Merchandise. To maintain the good reputation of Teemall Department Store, Teemall Department Store has made the following service pledges (extract):

- "1. If any quality issues arise for any products sold by the company, consumers may opt for return, replacement or repair upon presentation of consumer receipt or valid purchase voucher within 7 days from purchase; or opt for replacement or repair within 15 days from purchase.
2. The company has a reasonable system in place for customer feedback and welcomes the valuable opinions made by customers about our services. Customers who provide constructive and feasible advice to the company will be given a VIP membership card to enjoy shopping privileges.
3. The company has a customer service centre which provides shopping guide, gift wrapping, newspapers and magazines, sewing kit, drinking water, umbrella borrowing and power bank rental services."

PROJECT QUALITY CONTROL

Dongshen Water Supply Project

As a company engaging in water supply business, product safety is undeniably of utmost importance. GH Water Supply attaches great importance to product quality control and monitoring in the course of operation. It has obtained the ISO 9001 quality management system certification and internally formulated quality directions, quality objectives and management system planning. It guarantees that there will be no deviation in the process of quality control from the intake source to the ultimate water supply to customers. All contingencies relating to quality, environment and safety shall be dealt with according to the General Contingency Plan for Emergencies, Emergency Rescue Plan for Production Safety Incidents, Emergency Response Plan for Facility Incidents of Dongshen Water Supply Project and Water Quality Emergency Response Plan for Unusual Water Quality Incidents of Dongshen Water Supply Project.

To ensure the quality of water supply, GH Water Supply has a special water environment monitoring centre responsible for monitoring water quality in the area of Dongshen Water Supply Project. By evaluation and monitoring analysis of the source of pollutants in the area and carrying out the water quality R&D tasks, it ensures that the water quality of Dongshen Water Supply Project is safe. The centre is equipped with large international advanced equipment such as gas chromatograph – mass spectrometry (GC-MS), liquid chromatography – tandem mass spectrometry (LC-MS-MS), inductively coupled plasma body mass spectrometer (ICP-MS). In early 2011, the centre introduced the international standard for quality system ISO 17025. At the end of the year, it passed the laboratory onsite review by China National Accreditation Service for Conformity Assessment (“CNAS”) and successfully obtained the laboratory accreditation certificate (registration no: CNAS L5586) from CNAS. We have more than 350 approved items. At present, the centre’s testing capability not only completely covers the three domestic water quality standards which includes surface water, drinking water and sewage, but also extends to the non-standard hotspot projects as well as the drinking water health standard detection index of the World Health Organisation. Its detection indicators and capacity cover more than 500 items. The centre introduced the internationally advanced laboratory information management system (“LIMS”) where effective quality control in the testing process was achieved through the regulated and automated management procedures.



GH Water Supply's water environment monitoring centre was granted the “CNAS Laboratory Accreditation Certificate”



Water quality testing being conducted at the water environment monitoring centre of GH Water Supply

Quality Control Objectives of Water Supply Project (extract):

Quality of water supply: GB3838-2002 Class II water quality standards of the state surface water environment quality standard;

Guaranteed duration of water supply: 333 days for Hong Kong; 350 days for Shenzhen and 350 days for the Dongguan region;

Customer satisfaction rate: $\geq 90\%$

Project acceptance rate: 100%

Zhongshan Power Plant

Pursuant to the Emergency Plan regarding the Contingencies for Environmental Incidents, Zhongshan Power Plant files any contingencies with the provincial environmental protection office to increase the company's response rate to incidents related to the environment with a view to minimising impacts of such incidents on the environment.

Property Investment and Development

The Group places great emphasis on property management to provide quality experience to tenants and users. Among which, our Guangdong Investment Tower was granted the Merit Award of the "Best Property Safety Management Award" jointly awarded by The Hong Kong Association of Property Management Companies, Labour Department and The Occupational Safety and Health Council and the "2016 Security Services Best Training Awards" jointly awarded by Vocational Training Council and Hong Kong Police Force Crime Prevention Bureau.

ANTI-CORRUPTION

To strengthen our anti-corruption efforts, with reference to the Basic Regulations for Internal Control of Enterprises formulated by Guangdong Holdings, and with a focus on “three flows and three points” (the “three flows” are logistic flows, fund flows and information flow; and the “three points” are key points, risk points and control points), we have optimised our corporate policies and procedures so that the internal control system of the Group is “rigidly bounded”. We promote internal control and anti-corruption, comprehensive budgeting and safety production, “three systems” management (i.e. quality, health and environmental management systems), comprehensive risk management as well as corporate operating activities and efficiency enhancement, with a view to increasing our execution capabilities and overall management level.

The Group takes a proactive approach toward the internal control policies issued by the headquarter and encourages employees and suppliers to engage in business in good faith to gain the trust of their customers. We have prepared the List of Goals and Mission for Discipline Inspection and Supervision Tasks in which task details, goals and mission in relation to anti-corruption are enlisted. At the same time, we have devoted more effort to anti-corruption education and promotion to thoroughly implement innovation and protection of the anti-corruption system. Our employees regularly receive training on anti-corruption and we have established an internal control and risk management system according to the latest regulatory requirements. We have also formulated the Policy for Employees to Raise Concerns on Potential Wrongdoings so as to enable staff to raise their concerns on any wrongdoings or misconduct in relation to the Group in a confidential manner.



Employees of Zhongshan Power Plant participating in anti-corruption seminar



CARING FOR COMMUNITY

The community is the carrier of businesses. As a responsible corporate citizen, while developing our business, we bear in mind the need to repay the society and community in which we operate. Leveraging our strengths in the industry, we actively explore means of contribution to society to support regional economic development, constructive industry development and public welfare participation in building a warm, mutually beneficial and harmonious society together.

The Group endeavours to explore new channels of public welfare and upholds a charitable attitude which brings public welfare into our business. By incorporating the philanthropic spirit into our corporate culture, we strive to contribute to the local community and society in a way ought to be done by an enterprise. Currently, our charity efforts mainly include providing assistance to those in need via government organisations and community groups. Our community efforts by business segment are as follows:

GH Water Supply

GH Water Supply works with the community and actively participates in public welfare activities in areas including education, poverty alleviation and environmental protection.

- GH Water Supply Book Award Programme

GH Water Supply truly believes in "knowledge changes destiny". Accordingly, from February to March 2015, the "GH Water Supply Book Award Programme" was held where 10,000 e-book coupons were donated to grass-root students to help broaden their intellectual horizon and build good reading habits. The programme was well received by academics in Hong Kong and the overwhelming response exceeded our expectation. It also received high accreditation from the general public.



Sing Tao Daily reported on GH Water Supply Book Award Programme

- Hong Kong Star of Future – National Education @ Guangdong
 Wen Wei Po, Guangdong Branch invited the Group to take part in the large-scale event of 2015 “Hong Kong Star of the Future – National Education @ Guangdong”. At the same time, the Company’s Chairman served as the honorary chairman of “Hong Kong Star of Future Alumni Association”. GH Water Supply sponsored RMB1 million for the event of “Hong Kong Star of the Future – National Education @ Guangdong”.



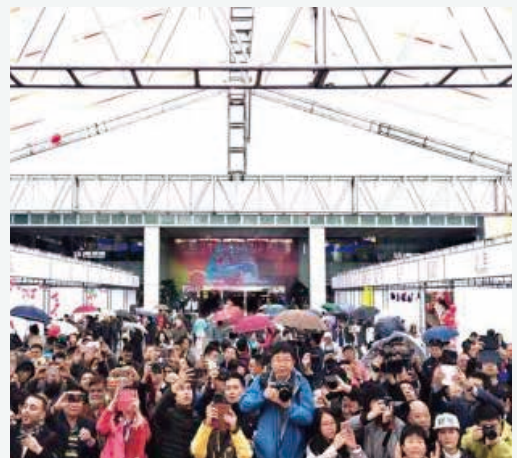
Hong Kong Star of the Future – National Education event

- Lei Feng Volunteer Day event
 Volunteers from Gaoyou Water Supplies actively participated in the “Take Lei Feng as a role model in upholding core values” event at which a Q&A session on water use was arranged. Materials on safe water use and water conservation were distributed to further enhance the public awareness on safe water use and water conservation.
- Caring for left-in-hometown children
 Volunteers from Baoying Water Supplies visited Ziying River Primary School in Xiaji Town to participate in the “Show your love and send your warmth” event to express their care for the left-in-hometown children.
- Environmental training and promotion activities
 A group of reporters comprising primary and secondary school students from Wuzhou Daily Newspaper visited Sanlong Water Plant of Wuzhou Water Supplies to learn about the water supply process.

Yizheng Water Supplies kicked off the “public open day” event, inviting more than 30 guests including representatives of the Provincial People’s Congress, members of the National Committee of Chinese People’s Political Consultative Conference, the media, operations and risk management supervisors of the company and representatives of water users to visit Yizheng Water Supplies’ water supply service hall, Hongqiang Water Plant and Phase II construction site of the water plant to learn about the demonstration service of Yizheng Water Supplies, operating model and project development. In addition, Yizheng Water Supplies has also set up an inquiry counter at Yizheng’s public square and Shengcheng Plaza where water use brochures are distributed and public enquiries regarding the policies, regulations and provisions on tap water charges, water quality, services and repairs are answered.

GD Teem

On 26 November 2016, GD Teem assisted Foreign Affairs Office of People’s Government of Guangdong Province, Guangdong Public Diplomacy Association, consulate general of various countries in Guangzhou and Guangdong Youth Development Foundation in organising the “5th Guangdong International Charity Sale” event at Teem Plaza North at which more than 30 consulates in Guangzhou brought together specialty goods from various countries for charity sale. The proceeds raised were deposited at the designated account of Guangdong Youth Development Foundation for the purposes of improving the living and learning environment of the left-in-hometown children in Guangdong. The auction raised RMB70,500, charity sale raised RMB240,700 and corporate donations amounted to RMB500,000.



“5th Guangdong International Charity Sale” event

Case

Our employees donated RMB62,700 for the Ya'an earthquake in Sichuan. We participated in the "poverty alleviation" donation campaign by raising RMB7,098 and donating books and supplies.

In recent years for the support of culture and art development as well as for charity purpose, we have donated more than RMB15 million to different institutions.

Teemall Department Store's employees, in upholding the spirit of mutual help, successively lent a helping hand to those who suffered from accidents. An employee of Teemall Dongguan Store was injured severely in a traffic accident and was sent to the People's Hospital of Dongguan. All employees of Teemall Department Store were highly concerned about her condition of and raised an amount totalling RMB50,462.30 for her.

In the evening of 13 March 2016, a salesperson working at a consignment counter of Wan Bo Store was severely injured in a traffic accident right after work by a hit and run driver. She was immediately sent to the hospital and remained in critical condition after more than six hours of craniotomy. On 14 March, all employees of Wan Bo Store started a donation campaign and raised RMB19,789. At the same time, Teemall Department Store voluntarily offered assistance to arrange for work injury insurance matters with her employer. Employees also actively published posts in WeChat "Friends" to search for the driver concerned.