



大唐環境產業集團股份有限公司

Datang Environment Industry Group Co., Ltd.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 1272

2016

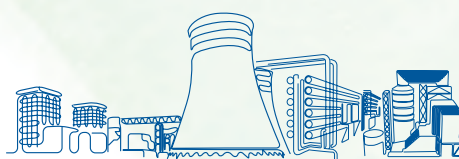
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



* For identification purpose only

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About the Report

The 2016 Environmental, Social and Governance (hereafter referred to as “**ESG**”) Report (the “**ESG Report**”) mainly introduces the annual environmental and social performances with regard to operation with integrity, talents cultivation, supply chain management, environmental protection, community communication, etc., of Datang Environment Industry Group Co., Ltd. (the “**Company**”) and its major subsidiaries (the “**Group**” or “**we**”). The ESG Report published with pleasure by the Group is our first ESG report, which would lay a foundation for the future annual ESG Reports.

REPORTING ORGANIZATIONAL SCOPE

The reporting organizational scope of the ESG Report covers Datang Environment Industry Group Co., Ltd. and its major subsidiaries.

REPORTING PERIOD

Unless otherwise stated, the contents of the ESG Report cover the business of the Group during the period from 1 January 2016 to 31 December 2016 (the “**reporting period**”).

REPORTING GUIDELINE

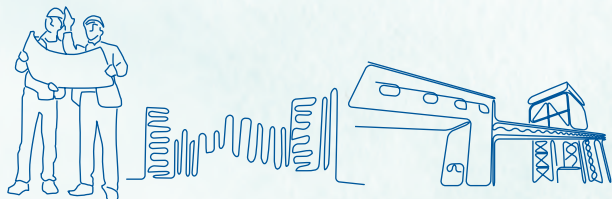
The ESG Report prepared by the Group with the assistance of CECEP Environmental Consulting Group Limited as an independent third-party, is in accordance with Rule 13.19 and Appendix 27 *Environmental, Social and Governance Reporting Guides* to the *Rules Governing the Listing of Securities* (the “**Listing Rules**”) issued by The Stock Exchange of Hong Kong Limited (“**SEHK**”).

REPORTING LANGUAGE VERSIONS

The ESG Report is published in two versions, Traditional Chinese version and English version. If there is any inconsistency between the Traditional Chinese version and English version, the Traditional Chinese version shall prevail.

REPORTING FEEDBACK AND SUGGESTIONS

Thank you for reading the ESG Report. Your comments and suggestions are the motivation for us to keep improving our sustainability performances and reporting quality. You are welcome to contact us by email at ir@dteg.com.cn.



Message from the Manager

Chairman of the Board
JIN Yaohua



Message from the Manager (Continued)

In 2016, with the tremendous support of all shareholders and the precise strategy of the board of Directors of the Company, the managers and staff of the Group cohered to overwhelm every obstacle. We firmly adhered to our core philosophy of “value thinking and profit-orientated”. In addition to endeavor in increasing our market share and industrial influence, we accelerated the pace of optimized development and system and mechanism innovation, enhancing the improvement of professional technology and personnel capability and fighting positively against the rigorous market challenges. The Group realized a favorable momentum for a sound, healthy and sustainable development.

In this year, we enhanced the exploration of emerging markets. The Environmental protection section of the Group was consolidated and further expanded to the environmental protection market of petrochemical system. Meanwhile, we have established a profound cooperation relationship with various Indian energy enterprises.

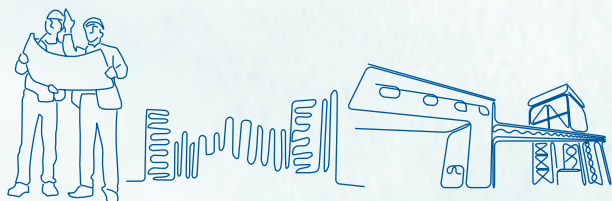
In this year, we emphasized the promotion of clean, green and efficient energy utilization, positively performing our corporate mission and social responsibility. Regarding operation business, the franchised operation division of the Group enhanced the professional managing capability and made positive contributions to the establishment of a beautiful and ecological environment in China.

In this year, we focused on the enhancement of team building and of employee's comprehensive capability. Eight employees of the Group outperformed other contestants and were qualified for recommendation of “National May Day Medal” in national desulfurization and denitrification processing professions. This chalked up a new record in the industrial skill competition at a national level, which demonstrated the Group's powerful strengths in operation, maintenance and management of concession operation of environmental protection facilities.

In this year, we reinforced technology innovation and talents cultivating. We honorably introduced Professor Hao Jiming, the academician of Chinese Academy of Engineering and the Dean of the Department of Environmental Science and Engineering at Tsinghua University to our expert station.

In 2017, we will encounter extraordinary opportunities for the Group's development. Under the national strategy of the “Belt and Road Initiative”, the internationalization of power industry will accordingly expedite. The Group will adhere to the philosophy of “value thinking and profit-oriented”, further deepen reformation, encourage innovation, optimize mechanisms and forge “six core elements” (namely core company, core technology, core talents, core products, core resources and core markets). And we adhere to an internationalized, marketized, informationalized and value-oriented development so as to enhance the core competitiveness and confirmedly “go out”, under which the Group will achieve positive, healthy and sustainable development and grow into a domestic top-grade and internationally renowned company in energy conservation and environmental protection, making greater contributions to creating a sustainable and green society!

Chairman of the Board
JIN Yaohua

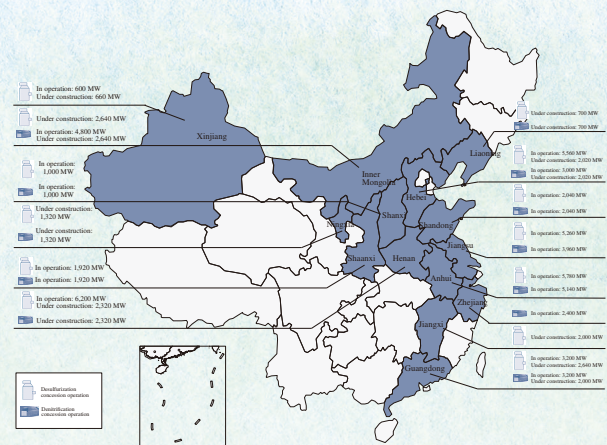


GROUP PROFILE

The Group is the sole platform for the development of environmental protection and energy conservation business under China Datang Corporation, which is one of the five major state wholly-owned power generation groups in the People's Republic of China (“**PRC**”). We have been focusing on providing superior environmental protection and energy conservation solutions to coal-fired power generation enterprises since our establishment. Our principal business includes concession operation of environmental protection facility, denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation and renewable energy engineering business. As a trendsetter and leader of the environmental protection and energy conservation in China's electric power industry, we can provide one-stop environmental protection and energy conservation solutions to customers, including research and development, engineering, products, services, investment, operation, etc., which are convenient and high-quality. The solutions cover the entire industry value chain of environmental protection and energy conservation for coal-fired power plants, including desulfurization, denitrification, dust removal, ash and slag handling, water treatment and energy conservation.

We always uphold the core philosophy of “value thinking and profit-oriented” and develop the Datang spirit of “being practical, dedicated, creative, self-motivated”. We strive to continuously enhance our capability of management, service, market, research and development, implementation and control, so as to make a great effort to the development of national environmental protection and energy conservation. In terms of the cumulative contracted capacity by the end of 2016, the Group has continued to be the nationwide largest flue gas desulfurization and denitrification concession operator.

Moreover, in 2016, both the production volume and the sales of the Group's denitrification catalysts business reached a historical high and we have continued to rank first in the PRC in terms of the total production volume. Meanwhile, the Group vigorously explored the overseas markets and seized the opportunities brought by the policy at “Belt and Road Initiative”. Our business was expanded into five countries overseas, including desulfurization engineering, procurement and construction (hereafter as “**EPC**”), water treatment engineering and procurement (hereafter as “**EP**”), renewable energy EPC, dry slag extracting EPC, etc.



Group Introduction (Continued)

MAJOR HONORABLE EVENTS IN 2016

In 2016, we received recognition from relevant professional institutions and the public with regard to our products, services etc., owing to our unremitting efforts and our enthusiasm towards the careers in energy saving and environmental protection.



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On 2 February 2016, the Company obtained the certificates of Quality Management Systems ISO 9001:2008, Environmental Managements System ISO 14001:2004 and Occupational Health and Safety Management System OHSAS 18001:2007.



On 1 March 2016, the Company was awarded the China Power Technology Award Third Prize for its project "Set Technology for Thermal Power Plant Flue Gas Denitrification with Proprietary Intellectual Property Rights".



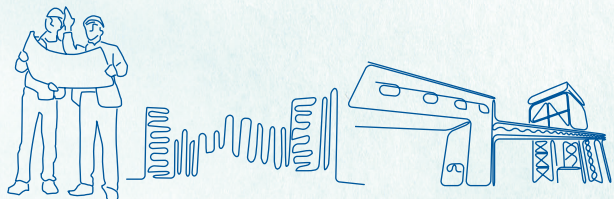
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On 22 June 2016, the Company obtained the Certificate of Assessment on "Service Capability of Environmental Pollution Treatment Facility Operation"

07



On 1 July 2016, the proprietary "Energy-saving Turbulence Pipe Gate High-efficient Desulfurization Technology" of the Company was assessed and confirmed by the Chinese Society of Electrical Engineering that it has reached the international leading level.



07



On 8 July 2016, Datang (Beijing) Energy Management Co., Ltd., a subsidiary of the Group, obtained the China Power Equipment Maintenance Enterprise Qualification Certificate (Class 1).

10



On 23 October 2016, the Company was awarded the 2016 China Machinery Industry Science and Technology Award First Prize for its project "Research and Application of Key Technology of Core Environmental Protection Equipment for Coal-fired Power Plants".

11



On 15 November 2016, the Company was successfully listed on the Main Board of the SEHK, making more contributions to the development of energy conservation and environmental protection industry.

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On 17 November 2016, the Company achieved excellent performance at the 2016 National Skills Competition – The 10th National Occupational Skills Competition of Electric Power Industry (Desulfurization and Denitrification Processing).

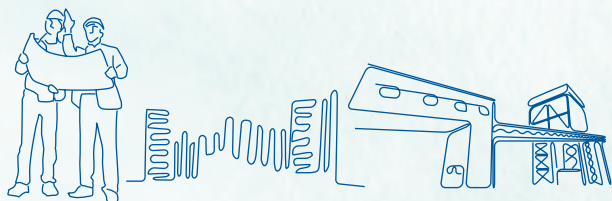


Group Introduction (Continued)

ENHANCE COMBATING CORRUPTION AND PROMOTING INTEGRITY

The code of conduct of the Group is being law-abiding and operating with compliance. Being law-abiding is also the code of conduct of our employee. We strictly abide by relevant national laws and regulations, such as the *Criminal Law of the PRC* and the *Regulations of the PRC for Suppression of Corruption*, relevant regulations of the State-owned Assets Supervision and Administration Commission of the State Council, Listing Rules and fair competition rules to conscientiously implement the Party's style of work and upholding integrity. The work of combating corruption and promoting integrity was implemented concretely and effectively. In addition, various internal regulations and policies have been adopted, such as the measures for combating corruption and promoting integrity of the Group and the *Implementation Measure for the Responsibility System for Improving the Party's Style of Work and Upholding Integrity of Datang Environment Industry Group Co., Ltd.* to govern our employees' behavior. Supervision department have been implemented to promptly report the issues of corruption, bribery, extortion, fraud, money laundering or other misbehaviors of our employees. Moreover, each of our employee is required to sign the *Statement of Upholding Integrity in Work*. By doing so, we penetrate the requirements of combating corruption and promoting integrity into the development of the Group. During the reporting period, we did not receive any proceedings and complaints of corruption, bribery, extortion, fraud and money laundering against our internal employees.

The Group has established various work of combating corruption and upholding integrity for preventing corruption in a more scientific and effective manner, continuing advancing the education of combating corruption and upholding integrity and the cultivation of honest culture of the Group.



Group Introduction (Continued)



Figure 2. The Company held the work conference in 2016 on the work of the party's style and preventing corruption. We deeply studied the important speeches by General Secretary Xi Jinping and the spirits of the Sixth Plenary Session of the 18th Communist Party of China Central Commission for Discipline Inspection as well as the spirit of work conference of promoting the party's style of work and preventing corruption in state-owned enterprise and corporation, and arranged major work of the Company in 2016.



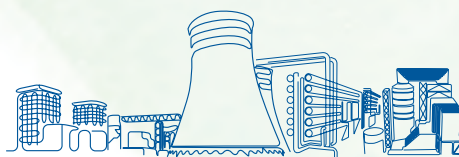
Figure 3. The Company held the kick-off meeting for the propaganda and education month of promoting the party's style of work and preventing corruption in 2016.



Figure 4. On 9 May 2016, the Company held the central party group (expansion) seminar.



Figure 5. The Company organized employees of the Company to have honesty education at the Anti-corruption Education Base of Haidian District, Beijing on 10 May 2016.



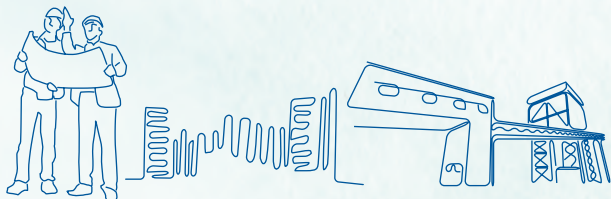
Be Quality-focused, Self-dependent Innovation

We devote to providing standardized and high-quality products and services. With continuous innovation, research and development, we keep improving our core competitiveness. We are strictly pursuant to the applicably relevant laws, regulations and quality standards with regard to environmental protection and energy conservation services, pollution monitoring on the emissions from coal-fired power plants and renewable energy services. The relevant laws and regulations include the *Interim Measures for the Supervision and Administration of Energy Conservation and Emission Reduction at Central Enterprises*, the *Law of the PRC on Promoting Clean Production*, the *Renewable Energy Law of the PRC* and the *Law of the PRC on the Prevention and Control of Atmospheric Pollution*. In addition, we obtained the certificate of the Quality Management Systems-Requirements (ISO 9001:2008) in 2016, which can further standardize the quality management and constantly improve products quality.

EXCELLENT PRODUCTS AND SERVICES

The quality, performance and safety of our products and services are of critical importance to our customers, our operations and, finally, our success. Therefore, we have established and maintained stringent quality assurance standards and inspection procedures, including quality control for raw materials, parts and equipment. For instance, regarding quality monitoring of raw materials, certain staff conducts inspections on raw materials, including raw materials sampling and delivering samples to either laboratories or testing bodies for testing. As for the management of concession operation business, we have formulated the *Professional Management Scheme of Desulfurization and Denitrification Concession Operations*, which contains the management standards for each aspect in operation including production safety, operation indices, etc. The standard covers the technical standards for design, operation, inspection and maintenance, supervision and standardized working process.

Moreover, professional management systems for concession operations business have been established to improve our efficiency. Hence, we have established standardized management systems, technical standards and operation procedures; we have established an operation management information platform to collect real-time data from relevant desulfurization and denitrification environmental protection facilities and support our specialized management. It also helps to realize the centralized monitoring and life-cycle management of the environmental protection facilities as well as the sharing of environmental protection data and feedback; we have set up an operation supervision and assessment platform to supervise, assess, and preemptively control the risk over various indices of our concession operations such as safety, technology, economics and environmental protection performance. Appropriate methods have been adopted through the full process of product realization for identification of the products and their status. Moreover, unique identification is applied to the products that further modification may be required.



Be Quality-focused, Self-dependent Innovation (Continued)

We continue to strengthen our customer management by establishing a quick response mechanism for customer demands. The *Measurement and Control Procedure for Customer and Stakeholder Satisfaction* has been formulated. We assess the customer and stakeholders' satisfaction towards the products and the process of services of the Group through investigation and analysis of both satisfied and dissatisfied opinion of customer and stakeholder. Improvements are enacted to the dissatisfied factors of the products and services. Furthermore, with the *Control Procedure of Substandard Products* we formulated, it ensures that the identification and control of the substandard products can be implemented effectively and the substandard products can be prevented from either unintended usage or delivery.

Regarding the information of our clients and the Group, we strictly comply with confidential agreement of the Group to keep the information safe by proper measures. Concurrently, effective controls of the customer's properties, including document, facility, equipment, etc., are implemented through measures like identification, verification, registration, protection, maintenance and recording. During the reporting period, neither was complaint received by the Group, nor was our product recalled.

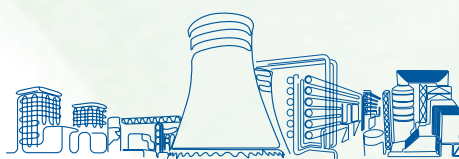
We sell products and provide services to our customers through direct selling and we do not have relevant issues of advertising involved. A life-cycle and traceable quality control of products and services have been implemented, including the implementation products labeling in accordance with applicable product labelling regulations.

SELF-DEPENDENT INNOVATION AND KEEP FORWARD

Our continuous success and competitiveness depend on our capability to develop and improve our technologies and techniques. The Group continued to increase investment in research and development and technological innovation in 2016, and focused on the research and development and cultivation of the technological innovation team. As a result, we achieved outstanding results and received six industrial and provincial and ministerial level technological awards.

Moreover, we continued to focus on our proprietary development and innovation and persist in promoting the commercialization of technological achievements. We had 492 patents and 43 software copyrights in total as at 31 December 2016. Intellectual property rights protection and the achievements of the research and development personnel of the Group are what we attach great importance to. We rely upon a combination of patents, copyrights and trademarks, trade secrets, confidentiality policies, non-disclosure and other contractual arrangements to protect our intellectual property rights. In addition, we protect our trade secrets by entering into either confidentiality agreements or trade secrets protection agreements with our suppliers and employees.

During the reporting period, we led the drafting of one industry standard and participated in the drafting of one international standard and four national or industry standards.



Safety First, Be Human-oriented

The fundamental management concept of the Group is “human-oriented and safe development”. We always uphold the spirit of “being practical, dedicated, creative, self-motivated”, to respect and care about our employees. We adhere to the management concept of “intrinsic safety” to control the safety risk in production and avoid personal injury and damage to health. Pursuant to the *Quality Management Systems – Requirements of National Standard of the PRC* (GB/T 19001-2008, identical to ISO 9001:2008, *Quality Management Systems – Requirements*), the *Environmental Managements System – Requirements with Guidance for Use of National Standard of the PRC* (GB/T 24001-2004, identical to ISO 14001:2004, the *Environmental Managements System – Requirements with Guidance for Use*) and the *Occupational Health and Safety Management System* (GB/T 28001-2011), we have formulated the *Management Manual* on the basis of our situation with the interest of improving the management level of the Group. We thus ensure the effective operation of the Group’s management of quality, environment and occupational health and safety. The Group obtained the certificate of the Occupational Health and Safety Management System (OHSAS 18001:2007) in 2016.

SAFE PRODUCTION

The administrative principle of safety we take is “safety first, precaution crucial, human-oriented, law abiding and self-discipline, technology-led and safe development”. We always comply with the requirements of relevant laws and legislation relating to safe production, such as the *Work Safety Law of the PRC* and the *Production Safety Prohibitions for Central Enterprises*, and in line with the objective of safe production to organize and develop production and operation. We also adhere to the “Four Don’t” principle, which refers to the accident’s investigation shall not be allowed to pass if the cause of the accident is not discovered, if the person liable for the accident and the public have not been educated, if the practical precaution measures have not been put into effect, or if the persons liable are not subjected to punishment. Moreover, the Group implement the three-level hierarchical responsibility management framework, which divides the company into “the Company’s headquarter-each subsidiary or the business department-the project department” for safe production. A security framework of safe production that take the chiefs in charge at each level as the most responsible people in safe production has been established and improved. With these two frameworks, a systematic and hierarchical supervision system of safe production has been established and the realization of the safe production goal of the Group can be effectively assured. We also hold a weekly safety meeting regularly to summarize and analyze the existing weaknesses in safe production management. Corresponding precaution measures are formulated enforced.



Figure 6. The managers of the Group conducted site inspection for instruction.

OCCUPATIONAL HEALTH

We always adhere to the safety goal of the Group, which is “resolutely preventing accidents over relatively serious, resolutely avoid personal injuries, preventing the ordinary accidents from happening, preventing the incidents that are baneful or may cause adverse impact on the public from happening, the smooth accomplishment of the annual production and operation goal”. We are strictly in accordance with relevant laws and regulations with regard to safety, such as the *Law of the PRC on the Prevention and Control of Occupational Diseases* and the *Provisions on the Supervision and Administration of Occupational Health at Work Sites*, issued by the local authorities in the place where we operate. A variety of work relating to occupational health shall be conducted orderly and effectively. During the reporting period, we did not receive any cases of major incidents and not receive any punishments due to the violations of relevant laws and regulations of the PRC regarding occupational health and safety.



Safety First, Be Human-oriented (Continued)

Corresponding work safety manuals and an occupational health manual are provided to employees relating to each process in operation. To raise employees of the Group's safety awareness, daily safety education and trainings are held for them on a regular basis. Not only can these favor their understanding of relevant laws and regulations, but also enable them to learn professional operation skills and stipulated requirements. Meanwhile, we conduct dynamic assessments to safety education and trainings to keep abreast of employees' understanding level, so as to develop training plans accordingly. We also organize and conduct various kinds of safety inspections and the safety month events in the whole Group to improve the safety management of special equipment and special operators. In addition, managers of the Group frequently conduct inspections and instructions of relevant safety measures at the workplace. Relevant responsible personnel implements monitoring and equipment maintenance of the operation facilities on a regular basis, ensuring that our operation is in accordance with relevant laws and regulations. Notice boards are set in our production workshops for the announcements of rules and regulations of occupational hazards prevention, operating procedures, emergency response measures for occupational hazard incident, monitoring and evaluation results of occupational hazardous factors in first-grade operating workshops. A variety of warning signs and notification cards of occupational diseases hazards are both set in the operating sites.

Necessary labor protection articles are provided to every employee in the operating site to either help to prevent or reduce the possible incidental injuries and occupational hazards. Additionally, not only are regular body checks arranged for our employees, but also health archives of staff of the Group are established. We ensure that the basic management of prevention of occupational disease hazards is thus implemented.

NIP HAZARDS IN THE BUD

Strictly pursuant to the national *Interim Regulations for the Accident Investigation and Handling of Potential Safety Hazards in Workplace*, the *Interim Regulations for the Supervision and Administration of Power Work Potential Safety Hazards* and other relevant laws and regulations, the Group has accordingly formulated regulations for the investigation and handling of potential safety hazards to thoroughly adhere to the policy of "safety first, precaution crucial and comprehensive administration". By such, we aim to standardize the work of accident investigation and handling of potential safety hazards and effectively prevent the safety incident from happening. Identification, assessment and updates of environmental factors and source of hazards are conducted on a regular basis. The major environmental factors and major source of hazards are classified according to the result of assessment. Risk control manual according to those results was established and put into effect.

Comprehensive emergency preparation and response processes have been formulated, including contingency plans for fire, occurrence of different incidents, work-related injury, etc. Concurrently, we hold various kinds of drills regularly to fully enhance employees' capability to cope with emergencies comprehensively.



Figure 7. The fire drill of the Company in 2016.



Figure 8. The drill of liquid ammonia leakage held by the Nanjing Project Department of the Group in 2016.

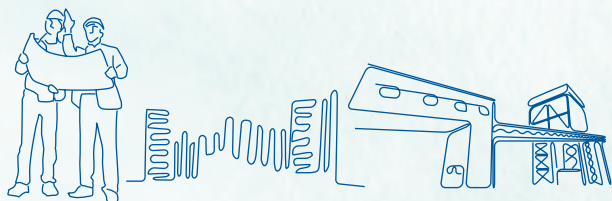


Green Development, Protect the Earth

As a professional energy conservation and environmental protection company, the Group firmly follows the trend for future development of energy conservation and environmental protection. We adhere to the national and industrial policies tightly and actively respond to the national “13th Five-year” *Comprehensive Plan for Energy Conservation and Emission Reduction* and other policies regarding environmental protection, leading our work by the theory of Scientific Outlook on Development. Conserving energy and reducing energy consumption in our operation is what we commit to. We also commit to the business of energy management contract project, desulfurization, denitrification, dust elimination, water treatment and other environmental protection projects construction and operation, which cover electric power industry, metallurgical industry, chemical industry and other industries. Moreover, we devote to the manufacture of denitrification catalyst and other environmental protection products as well as the construction of wind power and other green energy projects. With these efforts, we do not stop making contributions the energy conservation and environmental protection industry. In addition, our operations strictly comply with the national laws and regulations of environmental protection, including the *Environmental Protection Law of the PRC*, the *Water Pollution and Control Law of the PRC*, the *Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Water and Soil Conservation Law of the PRC* and relevant industrial policies requirements. We have gained the certificate of the Environmental Managements System (ISO 14001:2004), and advocated the environmental concept of protecting environment and saving resources to our employees.

ENVIRONMENTAL PROTECTION AND ENERGY CONSERVATION SOLUTIONS

We emphasize the promotion of clean, green and efficient energy utilization, positively performing our corporate mission and social responsibility by our state-of-the-art technology, strong capabilities of research and development and excellent services. It is our aim to make contributions to the sustainable development of the society. In 2016, the devices of the franchised operation division of the Group fully satisfied the desulfurization and denitrification emission standards with a yearly recorded emission reduction of 724,600 tons of sulfur dioxide and 97,800 tons of nitrogen oxide, contributing to the reduction of sulfur dioxide and nitrogen oxides emissions; regarding engineering construction and manufacturing aspects, the Group completed 51 units of 34,840 megawatt generator with ultra-low emission refurbishment and 6 fresh units of 3,600 megawatt generator of environmental protection facility construction. And the Group’s manufacturing and sale of denitrification catalysts reached 32,000 cubic meters; as for the renewable energy business, we completed 7 wind power plant engineering projects in total, with a cumulative installed capacity in operation and a cumulative contracted capacity of 1,615.8 megawatts and 1,962.1 megawatts, respectively. And we completed 2 photovoltaic power plant engineering projects in total, with a cumulative installed capacity in operation and a cumulative contracted capacity of 80.7 megawatts and 82.7 megawatts, respectively, making remarkable contributions to the establishment of a beautiful and ecological environment in China.



Green Development, Protect the Earth (Continued)

ENVIRONMENTAL MONITORING SYSTEM

We commit to the duty of “pollution prevention and control, energy conservation and energy consumption reduction and reduction of major impact on environment”. The major emissions that may cause impacts on the environment and natural resources in our operation include sewage, exhaust gas and solid waste. Therefore, we have formulated the *Control Procedures of Identification and Assessment of Environmental Factors and Source of Hazards*. Identification and assessment of environmental and sources of hazards in the operations or activities of the Group that can be either controlled or changed are conducted. This facilitates the effective implementation of the control measures to reduce the major impact on the environment and natural resources. When identifying environmental factors, we consider 3 statuses (normal, abnormal and urgent), 3 chronological conditions (past, present and future) and 8 categories (atmospheric emissions, sewage discharges, discharges to soil, utilization of raw materials and natural resources, energy utilization, energy discharges, generation of disposals and by-products and physical properties, such as size, shape, color, appearance and other issues).

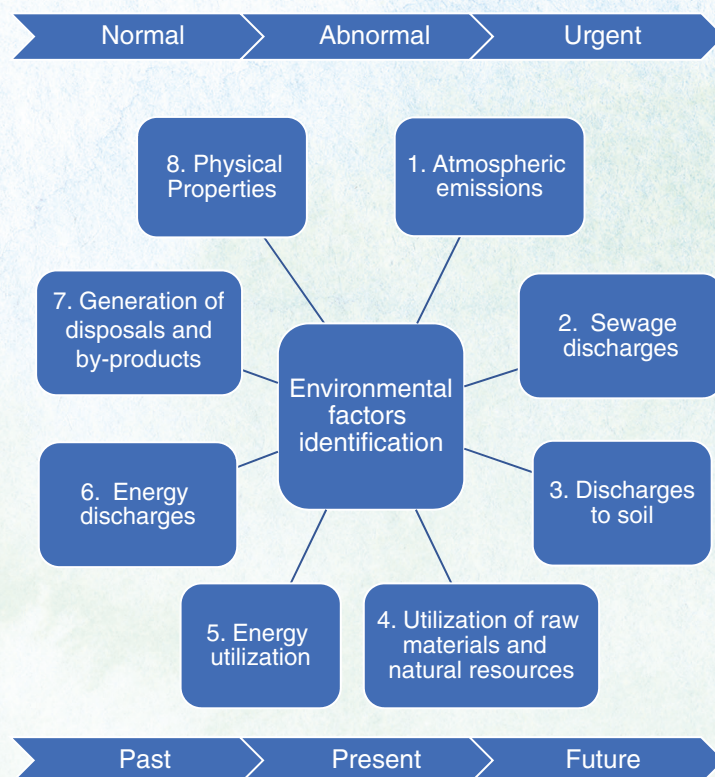
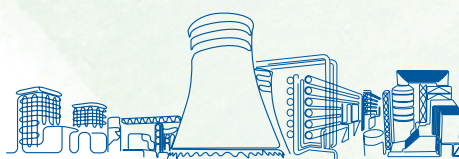


Figure 9. The figure of the environmental factors identification of the Group



Green Development, Protect the Earth (Continued)

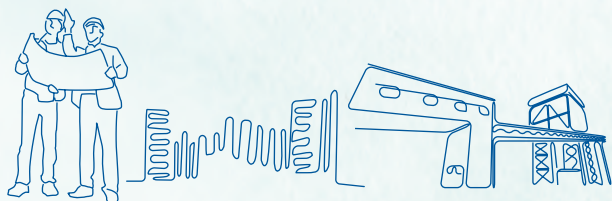
In addition, the *Environmental Operating Control Procedure* that we formulated acts as a basis for the implementation of the supervision, inspection and control of environmental factors in the work environment. We ensure that the generated emissions during our operation, such as exhaust gas, discharges to water and soil, hazardous, non-hazardous disposals etc., comply with the related environmental laws and regulations, like the *Environmental Protection Law of the PRC*. On the one hand, we develop analysis of operating status on a regular basis and supervise the emission indicators, water usage, power consumption of the factory and other major indicators. Summaries, supervision and reports of operating information are prepared and analyzed. And following technical solutions of abnormal circumstances in operation are conducted. On the other hand, we apply management of the suppliers and subcontractors of construction projects. Regarding the major environmental factors and unacceptable risks involved in the provided materials and their behaviors, we ensure the relevant environmental emissions comply with standards by informing them of specific requirements in written form to achieve the goal of reducing impacts on environment and reducing energy consumption.

In order to handle wastes in a better manner, we categorize them into general non-hazardous waste and hazardous waste according to their characteristics for further treatment. General non-hazardous waste, such as paper and office supplies, is collected and stored at specific areas, and subsequently delivered to the environmental protection department for further treatments. Moreover, pursuant to the *Regulation on the Safety Management of Hazardous Chemicals* (No. 591 Order of the State Council) and the *Standard of Identification of Major Hazards Installation of Dangerous Chemicals* (GB 182819-2009), we formulated regulations of dangerous chemicals management so as to accomplish the dangerous chemicals management of the Group, preventing the hazardous chemical accidents that cause impacts on the environment. Considering the treatments of relevant dangerous chemicals, their wastes are sent to qualified waste collection suppliers for harmless and centralized treatment.

During the reporting period, our operations comply with relevant national laws and regulations with regard to environmental protection. We did not receive punishments due to the violations of relevant laws and regulations relating to environmental protection.

ENERGY CONSERVATION MANAGEMENT

Conserving the environment through small changes can be done in our daily life. We think highly of saving water and reach the aim of water conservation by posting water-saving signs, utilizing water-saving equipment and other measurements. Additionally, we control the paper usage by, on the one hand, adopting office automation system for paper usage reduction and, on the other hand, conducting large scale collection and reutilization of office wastepaper. Meanwhile, energy saving lights are used to reduce power consumption.



Cooperation and Development, Grow-up Together

We actively communicate with every stakeholder and form an open, inclusive and mutually beneficial relationship with them. We do commit to the healthy development of the industry and positively performing our corporate mission and social responsibility, creating a bright future together.

EMPLOYEES' RIGHTS, BENEFITS AND DEVELOPMENT

The employees of the Group are the foundation and driving force for maintaining our market position and achieving satisfactory performance results. We strictly comply with the relevant laws and regulations relating to labor issues in the places where we operate, such as the *Labor Law of the PRC* and the *Trade Union Law of the PRC*. In order to protect the legal rights and benefits of the employees, we have formulated and implemented human resources systems, including sound recruitment systems, labor contract systems, comprehensive promotion mechanisms and comprehensive remuneration and benefit policies, compliant working hours, people-oriented leave and holidays policies. During the reporting period, all our employees have entered into labor contracts, which stipulated employee's compensation position, benefits, training, confidentiality liabilities relevant to commercial secrets and grounds for dismissal and termination and other issues. During the reporting period, we neither experienced major labor disputes nor received any punishments due to serious violations of the PRC labor laws and obligations.

Employees' Recruitment

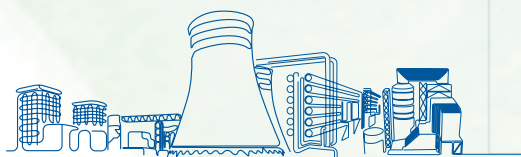
Adhering to the principle of "fairness, justness and openness", we give full consideration to the progress of the Group's projects and our employee structure and recruit employees according to the Group's recruitment systems. Stringent procedures for assessment and approval during recruitment have been adopted to avoid any forms of discrimination.

Employees' Remuneration and Benefits

The remuneration package of our employees includes salaries, bonuses and allowances. We also provide benefits and establish social insurance funds (including pension insurance, medical insurance, work-related injuries insurance, unemployment insurance and childbirth insurance), housing provident funds and other statutory benefits. We carry out employee performance appraisals and establish dynamic appraisal mechanisms. The responsible personnel's salaries and remunerations will be adjusted corresponding to the results of their performance appraisals.

Employee Incentives and Promotion

According to the development, we have further established and improved the overall responsibility management system and the whole employee performance evaluation system. To inspire the potential and work enthusiasm of employees, we divide the specific task in development planning into each department and position, objectively and accurately evaluate the job targets completing performance of employees by building position performance targets and performance standards, and realize awards and punishments according to the score that is formed by the quantified evaluation results. Concurrently, these evaluation results are the references of our employees' promotion. Upholding to the principle of "matching right people to the right post", we create a sound occupational development channel by implementing comprehensive promotion mechanisms and provide favorable pathways and opportunities for promotion to our employees.



Cooperation and Development, Grow-up Together (Continued)

Equal Opportunities, Diversity and Anti-discrimination

The Group advocates the policies regarding equal employment opportunities and we do not discriminate employees on grounds of race, nationality, color, religion, gender, age, disability, pregnancy and other conditions.

Working Hours and Leave and Holiday Policies

The people-oriented leave and holidays policies we formulated ensure that our employees legally enjoy paid leaves, maternity leaves and other public holidays. We comply with relevant national labor laws and regulations that deal with working hours and rest periods.

Labor Standards

The Group strictly complies with relevant applicable laws and regulations, such as the *Law of the PRC on the Protection of Minors*, prohibiting the occurrence of forcing labor and resolutely objecting to hire child labor under 16 years old.

Employee Dismissal

A range of procedures to terminate the employees' labor contract has been established and it is implemented by the managers of the Group's Human Resource Department to ensure our compliance with applicable laws and regulations.

Function	Number of employees	Percentage of the total number of employees
Concession operation management personnel	306	25.76%
Engineering and technical personnel	243	20.45%
Sales personnel	144	12.12%
Research and development personnel	265	22.31%
Administrative and management personnel	122	10.27%
Manufacturing personnel	22	1.85%
Others	86	7.24%
Total	1,188	100%

Table 1. The number of employees as at 31 December 2016 by their functions of the Group



Cooperation and Development, Grow-up Together (Continued)

Employee Development

We place a strong emphasis on the training of employees and actively create a work environment for them to grow up with the Group together. We offer in-service education, training and other opportunities to managers and other employees to improve their professional skills and knowledge.



Figure 10. The opening ceremony of Investment Management Skills Training Session of the Company in 2016.



Figure 11. The opening ceremony of the 10th China Datang Technical Knowledge and Skill Contest (Desulfurization and Denitrification Processing Professions) was held at the base for environmental protection skills training in Nanjing.

We also attach great importance to the physical and mental health of employees. Therefore, we organize activities of the Group to enrich the employees' life, making them feel at ease.



Figure 12. The Calligraphy and Painting Association of the Company creates a stage for calligraphy and painting lovers for communication.



Figure 13. The Tai Chi Association of the Company.



Cooperation and Development, Grow-up Together (Continued)

A GREEN SUPPLY CHAIN

A well-managed procurement system and a stringent supplier selection process have been implemented, including qualification confirmation, laboratory testing, inspecting production inspection process, annual review and secondary review to manage the necessary processes of procurement and outsourcing. The major way for us to select suppliers is through open tender. We assess various factors, including the capability of quality assurance, safety and environmental protection performance of the products, qualifications, price, previous comments of the products, etc., and choose the most suitable supplier. Reassessment of the qualified suppliers is conducted on a regular basis to keep the category of qualified suppliers updated. In addition, we inform the materials and equipment suppliers of the environmental requirements in written form, hoping to create a green supply chain together.

COMMUNITY COMMUNICATION

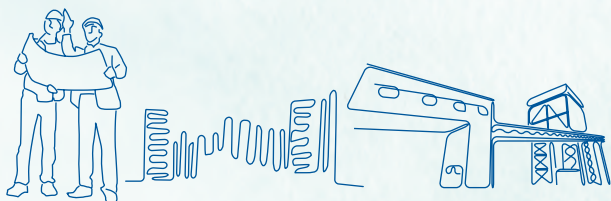
The Group concerns about the industry of energy conservation and environmental protection as well as the local community. It is our aim to enhance the communication between the public and us. On the one hand, we publish relevant reports of the Group through social media and other platforms in favor of the information disclosure of the Group. On the other hand, we actively organize and hold different kinds of activities for public good, such as condolences to the nursing home for senior citizens, "Great Walker Fund-raising Hiking Event", caring kitchen, etc., for sharing the positive social energy of the Group with the community.



Figure 14. The performing troupe of the Company paid a visit for condolence and put on a show at Qinghe Nursing Home for Senior Citizens.

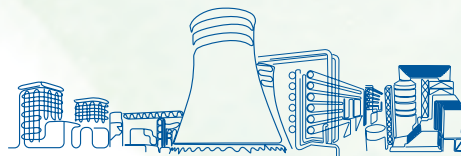


Figure 15. The volunteers of the Company participated in the "Great Walker Fund-raising Hiking Event".



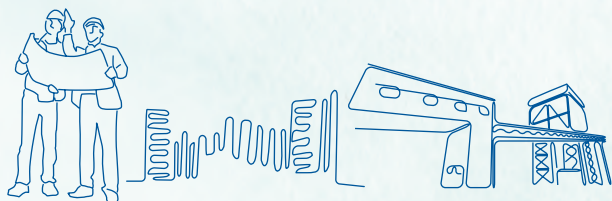
Look into the Future

Looking forward to 2017, adhering to an internationalized, marketized, informationized and value-oriented development under dual dynamics of innovation reformation, the Group will continue to utilize the platform and resources provided by the China Datang Corporation, our controlling shareholder, to strengthen and optimized our core company, core technology, core talents, core products, core resources and core markets so as to fully increase the Group's core competitiveness and sustainability and finally, to become a well-known company providing a basket of product and service solutions in the energy conservation and environmental protection industry worldwide. Furthermore, the Group will endeavor to grow into a domestic top-grade and internationally renowned energy conservation and environmental protection group, to reward the Shareholders and society with considerable return, and to make greater contribution in creating a beautiful and ecological China!



SEHK Environmental, Social and Governance Reporting Guides' Indices

Subject Areas, Aspects and General Disclosures		
	"Comply or explain"	Page Disclosed
A. Environmental		
Aspect A1: Emissions	<p>General Disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p><i>Note:</i> Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations.</p>	Page 14 to 16
Aspect A2: Use of Resources	<p>General Disclosure</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p><i>Note:</i> Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>	Page 16
Aspect A3: The Environment and Natural Resources	<p>General Disclosure</p> <p>Policies on minimizing the issuer's significant impact on the environment and natural resources.</p>	Page 14 to 16



SEHK Environmental, Social and Governance Reporting Guides'

Indices (Continued)

Subject Areas, Aspects and General Disclosures		
	"Comply or explain"	Page Disclosed
B. Social		
Aspect B1: Employment	<p>General Disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	Page 17 to 19
Aspect B2: Health and Safety	<p>General Disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	Page 12 to 13
Aspect B3: Development and Training	<p>General Disclosure</p> <p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p><i>Note:</i> Training refers to vocational training. It may include internal and external courses paid by the employer.</p>	Page 12 and 19
Aspect B4: Labor Standards	<p>General Disclosure</p> <p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to preventing child and forced labor.</p>	Page 18



SEHK Environmental, Social and Governance Reporting Guides' Indices (Continued)

Subject Areas, Aspects and General Disclosures		
	"Comply or explain"	Page Disclosed
Operating Practices		
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Page 10 and 20
B. Social		
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Page 10 to 11
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Page 8
Community		
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Page 20

