



綠色動力
DYNAGREEN

綠色動力環保集團股份有限公司

Dynagreen Environmental Protection Group Co., Ltd.

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

Stock Code : 1330

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

2018



2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) REPORT

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1 ABOUT THIS REPORT

Basis of preparation

This is the third Environmental, Social and Governance (ESG) report (the “Report”) of Dynagreen Environmental Protection Group Co., Ltd. (“Dynagreen” or the “Company” or the “Group”). This report was prepared in accordance with the Environmental, Social and Governance Reporting Guide of Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The reporting period is from 1 January 2018 to 31 December 2018. The contents of this report provide a brief review of past related activities. This report will be published on the website of the Hong Kong Stock Exchange and the official website of the Company.

About the Group’s Business

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

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

In 2018, the Group recorded a turnover of approximately RMB1,055.06 million, representing an increase of 34% as compared to the same period last year. Net profit realized amounted to approximately RMB272.80 million, representing an increase of 32% as compared to the same period last year. In 2018, the Group treated a total of 4.6918 million tonnes of municipal solid waste (inclusive of landfill), representing an increase of 29.56% as compared to the same period last year. While green on-grid electricity generated amounted 1,398 million kWh, representing growth of 38.76% as compared to the same period last year. As at the end of 2018, the daily treatment capacity for waste incineration of the Group was 13,510 tonnes.



2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT (CONTINUED)

Scope of the Report

This report covers the information of Dynagreen Environmental Protection Group Co., Ltd. and its subsidiaries and focuses on reporting the environmental and social policies relating to the waste treatment projects of the Group in China during the reporting period. The environmental information disclosed in the Report is consistent with the disclosure of A-share environmental information, which covers the Group's head office and 12 projects which are key pollution monitoring companies that were in operation in 2018 (located in Changzhou, Haining, Pingyang, Yongjia, Wuhan, Taizhou, Rushan, Anshun, Jizhou, Huizhou, Jurong and Bengbu respectively).



Source of information

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



2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) REPORT (CONTINUED)

2 ESG DEVELOPMENT STRATEGY OF THE GROUP

2.1 ESG Strategy of the Group

The Group has maintained constant profit growth and consistent improvement in comprehensive capacity on the basis of considering its business objectives and market position while being in pursuit of sustainable corporate development. In the leading competitive fields and business environment for future expansion, the Group emphasizes internal management, customer management, personnel management and market management, aiming at formulating a sustainable development plan that takes into account overall planning, long-term diversification and forward-looking vision.

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

2.2 ESG Management Structure of the Group

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

2.3 Participation of Stakeholders

Among the internal and external stakeholders in relation to the ESG aspects of the Group, the major stakeholders include internal personnel (from management to front-line employees), suppliers, customers, shareholders and investors, the government and the communities in which the Group operates. On the basis of the existing materiality assessment, management will continue to review the effectiveness of stakeholder engagement and materiality assessment to ensure that the report reflects the Group's latest developments in sustainable development as fully as possible.



2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) REPORT (CONTINUED)

2.4 Materiality Assessment

Based on the stakeholder engagement and materiality assessment, we have identified the following aspects that have a significant impact on the sustainable development of the Group, and has listed these aspects as key focuses of the sustainable development of the Group.

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

3 ENVIRONMENT

3.1 Overview and Relevant Policies of Environmental Protection

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

The implementation of the newly issued Environmental Protection Law and the Municipal Solid Waste Incineration Pollution Control Standards (《生活垃圾焚烧污染控制标准》) (GB18485-2014) tightens the emission standards for waste-to-energy practices and strengthens law enforcement and penalty measures. The Group adheres to the business principle of “generating social benefits as the primary goal while economic efficiency serves as the basis” and sees compliance with environmental protection regulations as top priority. Thus, it has established stringent internal control procedures and standards and updated the environmental management system certification to ISO14001:2015 during the year. The Taizhou, Wuhan and Huizhou projects operated by the Group were assessed as AAA waste incineration power generation projects by the China Association of Urban Environmental Sanitation. The Pingyang and Yongjia projects were also assessed as AA waste incineration power generation projects. The Huizhou and Wuhan projects were awarded the title of “Green Development Benchmarking Enterprise” by China Ecological Civilization Research and Promotion Association. During the year, Dynagreen Group was recognized as a “solid waste influence enterprise” by China Solid Waste Network and ranked among the “Environmental Excellent Brand Enterprises” of China Environmental News.



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For environmental protection management, the Group adhering to the principle of “prevention as top priority and combining prevention with governance”, implements “three simultaneities” for environmental protection facilities. The Group has formulate and strictly implement the Environmental Protection Management System of Dynagreen Group, and monitors the whole process of environmental protection during the construction and production. Since our establishment, the Group has been complying with national laws and regulations including the Municipal Solid Waste Incineration Pollution Control Standards (《生活垃圾焚烧污染控制标准》) (GB18485-2104), the Circular on Further Strengthening the Administration on Environment Impact Assessment of Biomass Power Projects (Huan Fa [2008] No. 82) (《關於進一步加強生物質發電項目環境影響評價管理工作的通知》(環發[2008]82號)), the Emission Standard for Odor Pollutants (《惡臭污染物排放標準》) (GB14554-93), the Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境噪音排放標準》) (GB12348-2008), the Integrated Standard for Waste Water Discharge (《污水綜合排放標準》) (GB8978-1996), the Standard for Pollution Control on the Landfill Site of Municipal Solid Waste (《生活垃圾填埋場污染控制標準》) (GB16889-2008), the Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Waste (《一般工業固體廢物貯存、處置場污染控制標準》) (GB18599-2001) and the Standard for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》) (GB18598-2001). In accordance with relevant regulations, we strictly supervise the emission and disposal of smog, waste water, noise, stench and solid waste of each of its operating project companies, so as to make sure the emission and disposal fulfilling national requirements in order to prevent environmental pollution. The Group also strives to reduce the emission of pollutants so as to safeguard the health of employees and promote safe and environmental business operation.

Besides, the Group urges each of its operating project companies to formulate environmental protection work plans, organize and implement environmental protection and improvement arrangements in the production areas of enterprises. The Group has taken effective preventive measures with respect to various sources of pollution that may cause pollution to the environment in order to avoid environmental pollution accidents. The Group also educates its employees to comply with national regulations relating to environmental protection, performs its obligations in environmental protection and dares to curb the phenomenon of environmental pollution and destruction. Besides, the Group conducts regular on-site inspections of its waste-to-energy power plants and requires them to conduct regular internal safety checks.

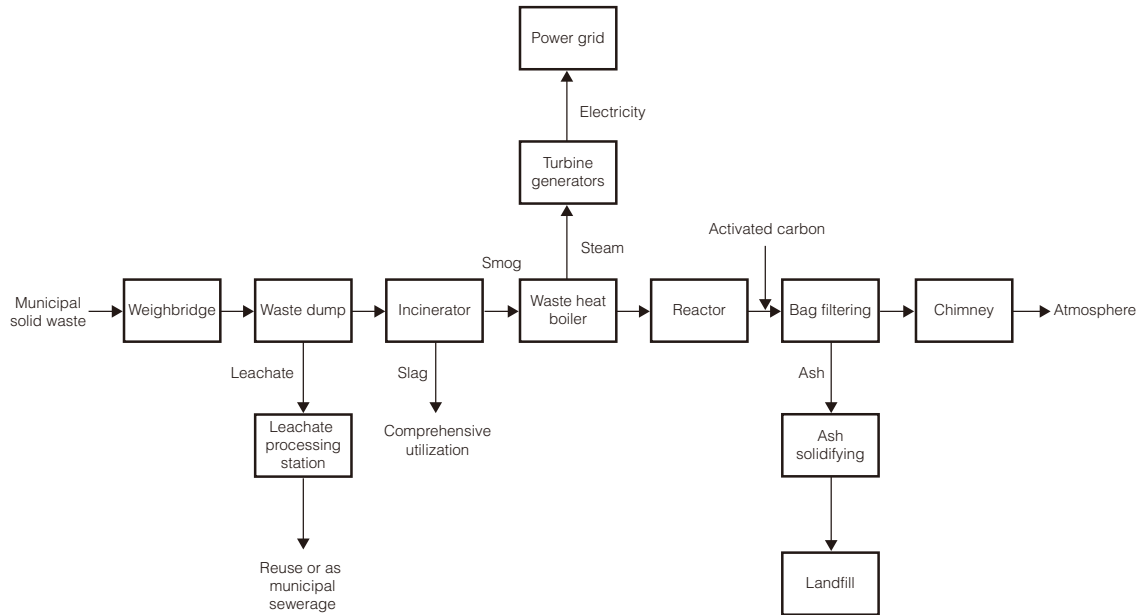
Each of the operating project companies shall set up an environmental leading group comprising the general manager (as the group leader), the deputy general manager of production/assistant to the general manager, department managers, specialist engineers and shift chief operators, which specifies their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



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3.2 Major Pollutants Affecting the Environment

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



From the above process, the pollutants which are produced by the Group during waste treatment and incineration to affect the environment mainly include exhaust pollution, waste water (leachate from waste dump and sewage), solid waste (slag and ash) and noise from operating equipment. The Group adopts advanced pollution prevention and control technology and strict pollution prevention and control measures, and the internal standards for major pollutant emissions are often higher than the national standards, further consolidating the Group's environmental efforts. The relevant measures formulated by the Group with respect to the above major sources of pollution are set out below.



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3.2.1 Air Emission (Exhaust Gas and Odor Control)

The waste gas generated from waste-to-energy projects comprises noxious gas, heavy metal and particulates. The main components of waste gas include smog, sulfur dioxide, carbonic oxide, oxynitride, hydrogen chloride, mercury, cadmium, lead and dioxin. The odors from waste dump mainly comes from methane and hydrogen sulfide. All of the Group's project companies implement treatment process including desulfurization, denitration, adsorption of dioxin by activated carbon and bag filtering. We regularly maintain and update the environmental protection equipment and facilities to ensure that the emissions meet the environmental standards. In particular, the dioxin generated from waste incineration is the focus of public attention. The dioxin emissions of all projects of are lower than 0.1ng-TEQ/Nm³ required by the Municipal Solid Waste Incineration Pollution Control Standards (《生活垃圾焚烧污染控制标准》) (GB18485-2014), while some projects even meet European Union standards. The projects in trial operation must, before commencing commercial operation, file an application with the competent administrative authority of environmental protection for environmental protection acceptance, which includes a dioxin emission inspection report prepared by a qualified third party. Dioxin emission levels for projects in commercial operation are also regularly inspected by such qualified third parties and the relevant local environmental protection bureau. Besides, the online monitoring system of the waste-to-energy power plants of the Group is interconnected with the environmental protection monitoring system of the local government. The LED screens at the gate of the waste-to-energy power plants provide neighboring residents real time emission data.

In response to the odors in the local regions, the project companies have taken measures to minimize odor emissions, including sealing the waste discharge area besides the discharge opening, and installing ventilation devices and rerouting air from waste storage dump to the incinerator for combustion to maintain negative pressure in the waste storage dump. In order to prevent dissipation of odors emitted from leachate into the surrounding environment, the Group funnels leachate to a leachate treatment station for processing. The methane from the landfill of our Huizhou Project is collected for power generation, controlling the problem of odor in an effective manner.

3.2.2 Wastewater Treatment

The waste water content received by the plants of the Group is high and leachate emanates from stored waste. Wastewater in the form of leachate mainly comprises highly concentrated dissolved organic matter and inorganic ions, including large amounts of ammonia nitrogen, soluble cations, heavy metals, phenols, soluble fatty acid and other organic pollutants. During the year, we modified the leachate concentrate recirculated spraying hearth (渗滤液浓水回喷炉膛改造) to reduce wastewater production. In addition, the Group's waste reception area requires cleaning regularly, which generates waste water. Chemical water desalination workshops produce acid and alkaline waste water. The plants also produce a small amount of domestic sewage.

The Group usually adopts ultrafiltration (UF), nanofiltration (NF), reverse osmosis and other technologies for wastewater treatment. As waste-to-energy facilities need a large amount of cooling water, most of the recycled and reclaimed waste water is used as cooling water for waste-to-energy facilities or used for landscaping in the plant site, reducing sewage emitted to the municipal pipelines. Some of the Group's projects, such as Huiyang Environmental Park (惠阳环保园) in Huizhou, attain “zero emission of sewage” by reusing treated waste water.



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

3.2.3 Waste Management

Solid Waste Treatment

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

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

Slag treatment measures: The slag produced after incineration of municipal waste is classified as ordinary industrial solidwaste. After cooling, magnetic separation and deferrization, the slag is stored in a room and then delivered by trucks to a third party company for brick making. The slag storage area is equipped with the ceiling with grooves. Meanwhile, we inspect single slag furnace per day and make proper inspection records to ensure that the ignition loss rate of slag is lower than 5%.

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

Hazardous Waste Treatment

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

3.2.4 Noise Prevention and Control

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



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The measures of noise prevention and control:

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

3.3 Use of Resources

3.3.1 Water consumption

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

3.3.2 Power consumption

The waste-to-energy power plants of the Group mainly use the power generated by themselves for normal operation, so a small amount of power is acquired from outside providers. In 2018, the power consumption rate of the plants was 14.51%, which was basically the same as that in 2017.

3.3.3 Others

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



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3.4 Development of New Environmental Technology

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

In 2018, we continued to research and develop incinerator technology, and completed the manufacturing, installation and commissioning of the 600-ton medium and large grate incinerator last year as well as its final assembly and trial running. Meanwhile, we also completed the project design work of a 800-ton large grate incinerator during the year. By virtue of active development of new incineration technology, Dynagreen will maintain its technology leading position in China.

3.5 Statement of Compliance

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

4 SOCIETY

4.1 Relevant Policies of Society

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

4.2 Employment

4.2.1 Health and Safety

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



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

For project construction, the Group has established responsibility system for production safety to conduct comprehensive supervision and management on production safety, troubleshoot all construction sites, carry out risk evaluation and analysis and identify sources of hazards. At the same time, the Group also adopts prevention and treatment solutions for major construction procedures and implements appropriate emergency measures in order to safeguard construction safety.

For the subcontractors involved in the design and construction work for our projects, the Group has established clear standards for them to follow when undertaking the Group's projects. The Group also has specific technological requirements that must be met by project contractors under the supervision of the Group's specialized project engineers. During the reporting period, the Group did not record any work accident or violate any laws and regulations relating to the health and safety of employees.

4.2.2 Employee Recruitment and Benefits

Focusing on our development strategy based on the actual condition of the Company, the Group has established and implemented a scientific, open and fair human resources policy which is beneficial to sustainable corporate development. The Group has also standardized human resources management procedures including personnel plans, recruitment, training, attendance and vacation, salary, appraisal, resignation and dismissal of employees. The Group has also introduced a series of supporting human resources management systems, such as the Selection and Recruitment System of Employees (《員工選聘錄用制度》), the Management Measures on Recruitment and Entry (《招聘及入職管理辦法》), the Training Management System (《培訓管理制度》), the Appraisal Rules for New Employees during Probation Period (《新員工試用期考核細則》), the Management Measures on Labor Contracts (《勞動合同管理辦法》), the Remuneration Management System (《薪酬管理制度》), the Attendance and Vacation Management System (《考勤及休假管理制度》) and the Management System on Employee Resignation (《員工辭職管理制度》), with strict compliance with the national laws and regulations and the relevant requirements of the Company with respect to the introduction, development, use and dismissal of human resources. In addition to general benefits, reimbursements for the travel expenses incurred by the project companies' technicians in visiting their relatives were allowed. Besides, the Company implemented an annual salary system for the remuneration of the senior management at the head office and the management teams of the project companies that their salaries were determined based on performance. Annual business objective and appraisal and incentive measures were introduced to improve the performance appraisal system and the cohesion of middle-to-senior management to the Company. As at 31 December 2018, the Group had a total of 1,757 employees.

During a performance appraisal for an employee, the evaluation should be made in the following order: the employee himself/herself, his/her direct superior and the competent senior management personnel. Then, the evaluation should be reviewed by the president. The president has a veto power. After the whole performance appraisal procedure, the direct superior shall give feedback to the result again. We improved our appraisal system of the project companies' financial administrators by optimizing appraisal indicators and revising appraisal measures so as to motivate the business performance getting closer to the Group's strategic objective. The Group strengthened the development of talent reserve and established a talent development system exclusive to Dynagreen. The Group regulated the recruitment and interview processes and developed training courses for interviewers so as to continuously improve the brand image as an employer.



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



4.2.3 Employee Development and Training

The Group regards providing opportunities and scope of sustainable development for employees as our responsibility and obligations. In addition to salaries and benefits, the employees are entitled to training and development opportunities. Employee development and training provide the Group guarantees for accomplishing business objectives, improving performance and achieving sustainable development and are also ways for employees to be competent at their duties, achieve self-improvement and explore their potential. The Group has formulated the Training Management System of Dynagreen Group (《綠色動力集團培訓管理制度》), the Internal Lecturer Management System of Dynagreen Group (《綠色動力集團內部講師管理制度》), the Management Measures on Employee Development and Training of Dynagreen Group (《綠色動力集團員工進修培訓管理辦法》) and other training systems.



Training for new employees comprises two stages, namely common required courses and professional training within departments. Of which, common required courses include introduction to the Company, corporate development milestones and future prospect, corporate culture, brief introduction to the work of functional departments and internal regulations and systems, etc. Professional training within departments refers to the training and guidance provided by the departments for their new members on work skills, i.e. pre-job training, which requires practical on-site guidance. During the year, we also added Party construction and discipline inspection education training to the original training programs with an aim to fully implementing the Party's spirit.



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To cultivate talents, the Group offers training to fresh graduates and reserved management personnel at middle level. We also provide financial assistance to the middle-to-senior management personnel and reserved management personnel who pursue external advanced studies so as to help them complete MBA or other levels of education.

The Group provides internal and external skills training for the production personnel at the forefront. The Company arranges internal lecturers for internal training, including factories’ safety and environmental protection education training, professional expertise, management training and craft training. For external training, the Company usually sends the employees to professional training institutions for fulltime external training at the Company’s cost. In addition, the Company arranges some of its employees to visit advanced enterprises in the industry for on-site training and experience exchange in a regular manner.

4.2.4 Labor Standard

The Group strictly complies with all relevant labor laws and regulations, including the Law on the Protection of Minors, the Labor Law, the Labor Contract Law and the Social Insurance Law. By conducting information verification of new employees at the pre-service stage, detecting signs of child or forced labor regularly and organizing internal training to improve the awareness towards related laws and regulations, the Group achieves the goal of prohibiting child and forced labor. During the reporting period, the Group strictly complied with the Provisions on the Prohibition against Using Child Labor of the Chinese government and did not employ any person under 16 years of age. There was also no relevant case of discrimination and harassment.

During the reporting period, the Group strictly complied with the regulations including the Provisions on the Prohibition against Using Child Labor of the Chinese government. There were also none non-compliance incidents regarding employed child labors or force labors.

4.3 Anti-corruption

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

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



2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) REPORT (CONTINUED)

4.4 Product Responsibility

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

The Group is dedicated to providing quality and professional waste treatment service to municipal administrative authorities of the local governments, so as to improve urban environment and establish our brand image. During the year, the Group passed ISO9001:2015 quality system certification, showing the capability of our quality waste disposal service. Meanwhile, we have been also protecting our intellectual property right, and applied technical patents for our research and development. We were granted twelve patent authorizations in total in 2018.

During the reporting period, the Group did not violate any regulations relating to the product liabilities.

4.5 Supply Chain

The Group mainly procures various equipment, construction and installation services and consumables. The Group maintains a database of suppliers and, in accordance with the procurement processes and policies we established, selects suppliers publicly based on their merits through bidding and other manners as permitted by laws. The Group will enter into procurement contracts with the selected suppliers and make payment at the time the suppliers provide products or services. The Group values the relationship with suppliers and has established long term cooperation with them based on the concepts of “fairness and mutual benefits”. We conduct irregular communication with the suppliers according to the actual situations of different projects.



2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) REPORT (CONTINUED)

4.6 Community Investment

The Group calls for the establishment of harmonious relationship among villages, communities as well as enterprises. The corporate social responsibility policy established by the Group covers the investment in community. We also actively participate in community events to show our care for the community and make contribution to community affairs. We also keep contact with the residents in the vicinity to increase their understanding of the projects and hence reduce the impact of “not in my backyard effect”. Through inviting industry experts and scholars, students, citizens and the media to visit the project sites at any time and accepting supervision from the general public, we have always seeking for the public recognition, understanding and support. Our projects in Haining, Pingyang, Wuhan, Rushan, Anshun and Huizhou are classified as Environmental Protection Education Bases, while the projects in Huizhou and Rushan are Science Popularization Education Bases as well, which are very well-received. To establish a harmonious relationship between villages and enterprises, we can narrow the gap with villagers through basketball matches, establishment of education funds and campaigns promoting respect for the elderly and other events.



We have taken into consideration cultural integration and charitable acts of neighborly relationship improvement since the early planning stage of the Huiyang Environmental Park in Huizhou. To this end, in addition to the effort made in the exterior of the building for the integration into the community, the historical and cultural origins, cultural representative and the humanistic feeling of warm hospitality of Hakka are blended into the planning and design of the project, bringing the park and the general public closer to each other.

Through a series of public activities of good-neighborliness with emotional integration, we maintain our long-term positive interaction with citizens, establishing harmonious relationship between villages and enterprises as well as between communities and enterprises. The relationship not only significantly boosts the brand image of the Group as a responsible corporate, but is also conducive to cracking the “not in my backyard effect”, turning the negative attitude into positive.



2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT (CONTINUED)

5 ENVIRONMENTAL AND SOCIAL KEY PERFORMANCE INDICATORS

Key performance indicators	Unit	Annual total amount in 2018
Environment		
Use of resources (the Group's head office)		
Electricity consumption at the Group's head office	kWh	153,874.9
Water consumption at the Group's head office	tonnes	1,742.2
Sewage produced at the Group's head office	tonnes	1,742.2
Use of resources (Plants)		
Waste treated	tonnes	4,150,149
Electricity generated	0'000 kWh	142,940
Electricity consumption at plants	0'000 kWh	20,739
Water acquired	tonnes	6,931,170
Natural gas for boilers	cubic meter	118,990
Diesel for boilers	tonnes	1,557
Diesel for machinery and vehicles	tonnes	66
Emissions (Plants)		
Total sewage discharge (The total sewage discharge to the outside of operating sites)	tonnes	176,072
– Total COD emissions	tonnes	5
Exhaust emissions		
Nitrogen oxide	tonnes	1,641
Sulphur dioxide	tonnes	235
Particulates	tonnes	53
Hydrogen chloride	tonnes	193
Total solid hazardous waste (fly ash chelates)	tonnes	137,257
Liquid hazardous waste (waste lubricating oil, lubricating oil, acid sludge, waste mineral oil, etc.)	tonnes	8
Emissions exceeding environmental protection standards	times	0
Fines and prosecutions due to non-compliance with environmental protection laws and regulations	times	0



2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) REPORT (CONTINUED)

Key performance indicators	Unit	Annual total amount in 2018
Social		
Employment		
Total number of employees of the Group (Note)	persons	1,757
By gender		
– Male	persons	1,360
– Female	persons	397
By age		
– 17-30	persons	601
– 31-40	persons	660
– 41-50	persons	389
– >51	persons	107
By employment type		
– Full-time employees	persons	1,757
– Contracted/part-time employees	persons	0
Number of former employees	persons	309
Turnover Rate	percentage	17.6%
Development and training		
Total training hours	hours	9,220
Average training hours per employee by employee category		
– Senior management	hours	6.9
– General management	hours	6.5
– Non-management employees	hours	5.4
Health and Safety		
Number of work-related fatalities	times	0
Number of work-related injuries	times	0
Lost days due to work injury	times	0
Fines and prosecutions due to non-compliance with laws and regulations related to health and safety	times	0
Labor Standard		
Fines and prosecutions due to non-compliance with laws and regulations related to labor standards	times	0
Anti-corruption		
Number of legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period	cases	0
Product Responsibility		
Fines and prosecutions due to non-compliance with laws and regulations related to product responsibility	times	0

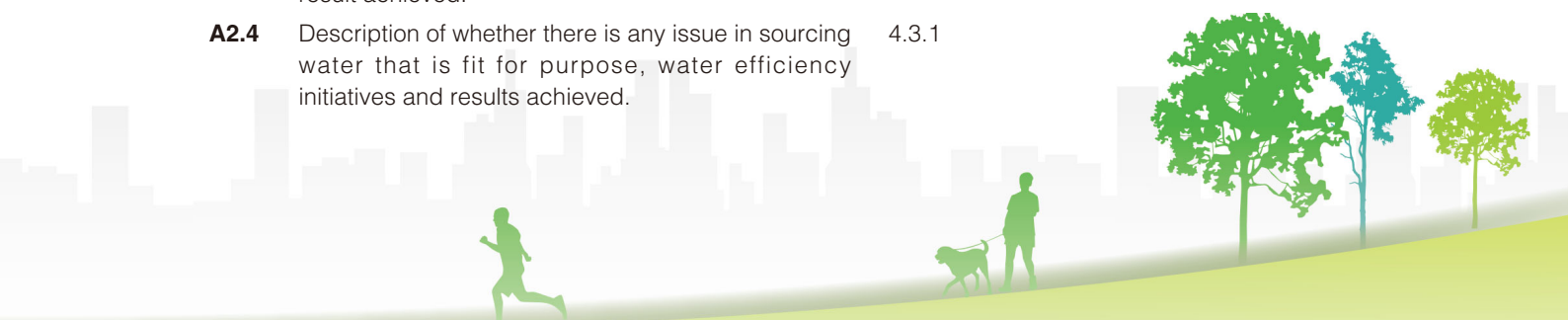
Note: excluding the number of employees of Guangdong Promising Environmental Protection Company Limited* (廣東博海昕能環保有限公司) which was acquired at the end of the year



2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT (CONTINUED)

6 INDEX OF THE ESG REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE

Aspects	Section	Remarks
A Environmental		
A1 Emissions	4.2, 4.5	
a) Policies and		
b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		
A1.1 The Types of Emissions and respective emission data	4.2.1, 6	
A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–	Greenhouse gas emissions and non-hazardous waste KPIs are not identified as material to the Group. We will continue to observe regulatory changes to update any disclosures needed in the future.
A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6	
A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6	
A1.5 Description of measures to mitigate emissions and result achieved.	4.2.1	
A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	4.2.3	
A2 Use of Resources	4.3	
Policies on the efficient use of resources, including energy, water and other raw materials.		
A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	6	
A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	6	
A2.3 Description of energy use efficiency initiatives and result achieved.	4.3.2	
A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	4.3.1	



2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) REPORT (CONTINUED)

Aspects	Section	Remarks
A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	4.3.3	Packaging material KPI is not identified as material to the Group. We will continue to observe regulatory changes to update any disclosures needed in the future.
A3 The Environment and Natural Resources Policies on minimizing the issuer's significant impact on the environment and natural resources.	4	
A3.1 Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	4	
B Social		
B1 Employment Policies on employment and compliance with local laws and regulations that have a significant impact on the issuer on the following aspects:	5.2.2	
<ul style="list-style-type: none"> • Compensation and dismissal • Recruitment and promotion • Working hours and rest periods • Equal opportunity and anti-discrimination • Diversity • Other benefits and welfare 		
B1.1 Total workforce by gender, employment type, age group and geographical region.	6	
B1.2 Employee turnover rate by gender, age group and geographical region.	6	
B2 Health and Safety Policies and compliance with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.	5.2.1	
B2.1 Number and rate of work-related fatalities.	6	
B2.2 Lost days due to work injury.	6	
B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	5.2.1	
B3 Development and Training Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.2.3	
B3.2 The average training hours completed per employee by gender and employee category.	6	



2018 ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") REPORT (CONTINUED)

	Aspects	Section	Remarks
B4	Labour Standard Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	5.2.4	
B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.2.4	
B4.2	Description of steps taken to eliminate such practices when discovered.	5.2.4	
B5	Supply Chain Management Policies on managing environmental and social risks of the supply chain.	5.5	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.5	
B6	Product Responsibility Policies and 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.	5.4	
B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.4	
B7	Anti-corruption Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.3	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	6	
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.3	
B8	Community Investment Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5.6	
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	5.6	

