



CHINA SCE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1966.HK



2018

ENVIRONMENT, SOCIAL
AND GOVERNANCE REPORT

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ABOUT THE GROUP

China SCE Group Holdings Limited¹ (“China SCE” or the “Company”), together with its subsidiaries (collectively, the “Group”), was established in 1996 and with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in 2010 (Stock Code: 1966.HK). The Group’s operations consist of four core businesses, namely property development, commercial management, property management and rental apartments business.

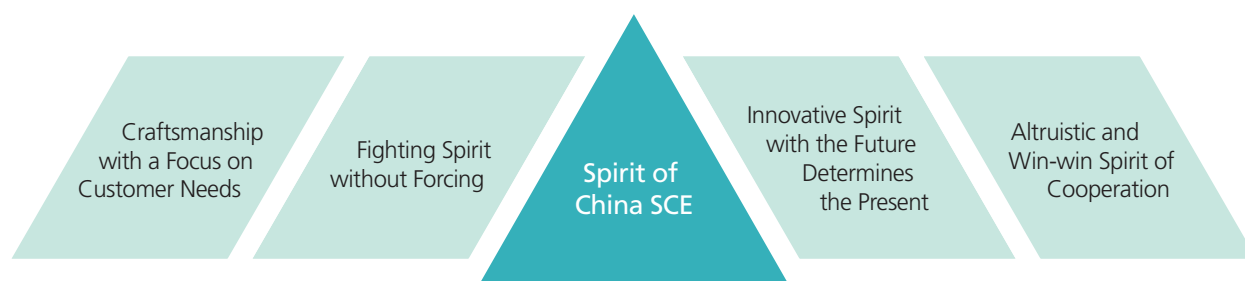
China SCE officially moved its operational headquarters to Shanghai in 2017 and clarified its strategic goal of becoming a 100 billion-level real estate developer by 2020 and determined to enter the long-term rental apartment market. Adhering to the strategic plan of “Regional Focused, Multi-industries Development” (區域聚焦·多業態發展), the Group’s business development focuses on the Yangtze River Delta Economic Zone, the Bohai Rim Economic Zone, the Guangdong — Hong Kong — Macao Greater Bay Area and the West Taiwan Strait Economic Zone, and gradually expands to the Central Western Region. For the year ended 31 December 2018 (the “Year”), the Group’s projects were distributed in 34 cities in China, covering commercial real estates, cultural tourism real estates, industrial real estates, residential buildings and other types of properties, with sales exceeding RMB50 billion.

Urban Distribution of the Group’s Property Projects



¹ Formerly known as “China SCE Property Holdings Limited”.

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With the key value proposition of “We Build to Inspire” (專築您的感動), the Group exerts the spirit of China SCE, strives for progress, emphasises cooperation, values innovation, and always pursues customer value. During the Year, the Group ranked 44th among the “2018 Best 50 of China Real Estate Developers”, 40th among the “2018 Best 50 China Real Estate Listed Companies with Strongest Comprehensive Strengths” and 39th among the “2018 Best 50 of China Real Estate Developers Brand Value”, and continuously listed in “Fortune China 500”, reflecting the recognition of the Group’s strength and performance by the market.

ABOUT THIS REPORT

This report is the third Environmental, Social and Governance (the “ESG”) Report published by China SCE. The report covers the Group’s policies, measures and performance in environmental protection, social care and corporate governance, with an aim to enhance stakeholders’ understanding of our progress and development direction on sustainable development. This report is prepared in both Chinese and English and is published through the website of the Stock Exchange and the Company’s website.

Reporting Scope and Boundary

The core business of the Group is property development, and this report therefore focuses on its operation during the Year. The relevant business accounted for more than 96.9% of the Group’s total revenue. The environmental and social performance covers the operations at the Group’s headquarters office in Shanghai² (the “Headquarters”) and the project company offices (the “Project Companies”) of five properties under development. The following table shows the details of the relevant projects:

		Aggregate Gross Floor Area (Square metre)
Property	Location	
The Paramount	Shanghai	56,390
The Glamour	Shanghai	14,970
The Royal Bay	Nanchang	165,849
Sunshine City	Zhangzhou	37,700
Parkview Bay	Jinan	394,363

² In January of the Year, the headquarters office was relocated from SCE Plaza Phase 1 to SCE Plaza Phase 2, and the office space was nearly four times larger than that in 2017.

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This report currently does not cover all of the Group's operations. The Group will continue to improve the collection of environmental, social and governance information in order to gradually expand the scope of disclosure until all operations are fully covered.

Reporting Standards

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") issued by the Stock Exchange with its four reporting principles, i.e. Materiality, Quantitative, Balance and Consistency, as the basis of preparation. A complete index is appended in the last chapter hereof for reference.

Information Preparation

The Group has established internal monitoring and review procedures to ensure that all information presented in this report is accurate and reliable. The board of directors of the Group has confirmed and approved the release of this report.

Feedbacks

The Group relies on your valuable opinions to continuously enhance its performance in environmental protection and social care. If you are in doubt or have any recommendations in respect of the contents and presentation of this report, you are welcome to contact via ir@sce-re.com.



MESSAGE FROM THE CHAIRMAN

Creating
SMART LIVING
to Help Seize Happiness



2018 was a brand new year after China SCE has completed the comprehensive upgrade of corporate culture. During this year, based on the strategy of “Fun+ Happy Life Ecosystem” (Fun+ 幸福生活生態圈), the Group further promoted its corporate mission of “Creating Smart Living to Help Seize Happiness” (創建智慧生活，讓幸福觸手可及), aimed to be the leader of the “smart” industry development concept to improve the quality of urban daily life. At the same time, China SCE is committed to building quality projects for customers, providing development opportunities for employees, and cooperating with business partners to achieve win-win results, thereby realising the desire to create a common and inclusive social happiness.

As countries around the world adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals in 2015, enterprises from all countries have taken active steps to integrate sustainable development goals into their corporate strategies, aiming at eliminating all forms of poverty and hunger, achieving equality, protecting the earth’s resources and addressing climate change by 2030. The Group actively explores the development potential of long-term rental apartments, co-working space, fitness, health and education etc. to meet new consumer needs and create inclusive communities and cities. The Group also improves project and corporate management in various aspects of the environment and society, and explores sustainable development modes of operation by promoting green buildings, improving construction safety, and promoting employee growth.

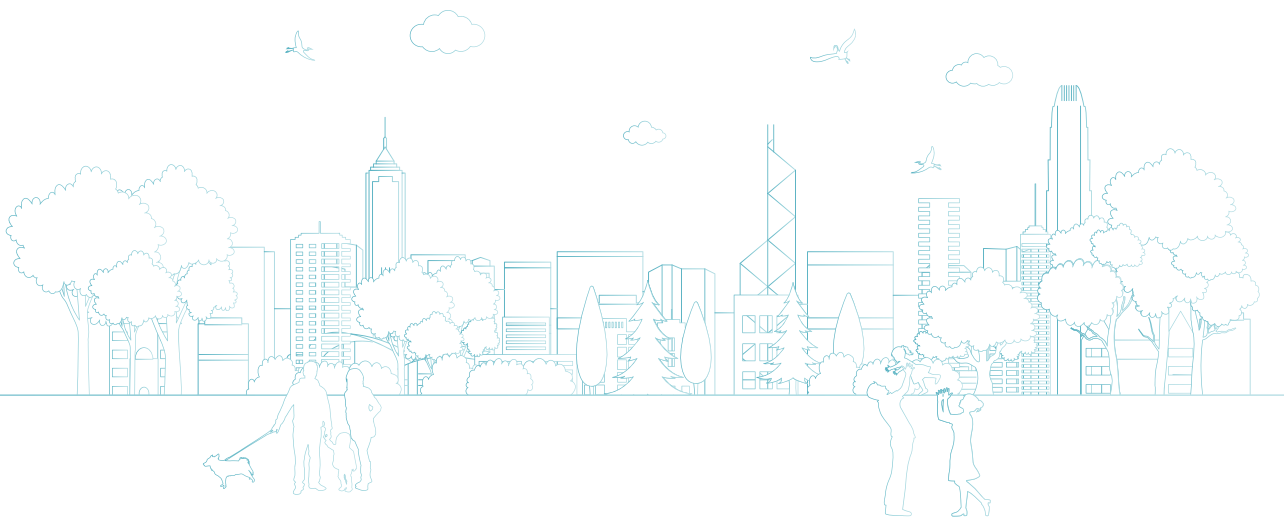
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The board of directors of the Group fully assumes the Group's work and performance in sustainable development. In order to meet the regulatory requirements that may be enhanced in the future, the Group will consider setting up a dedicated sustainability working group to monitor the implementation and direction of policies more effectively and ensure that the Company effectively develops towards a low-carbon, environmentally friendly and caring mode of operation. At the same time, the Group understands the concerns of stakeholders regarding the environmental performance of the Company and the approach to climate change. Although the Group has not yet established a risk management team for sustainability issues, it has been included in future plans.

The input and opinions of stakeholders are an important part of the sustainable development of the Company. In order to understand their needs and concerns, the Group communicates with them in various ways and responds to their needs in a timely manner. Taking into account the opinions of stakeholders, the Group's sustainability issues focused on emissions, employment and supply chain management for the Year. This echoes China SCE's operating principles of caring for the environment, putting people first and attaching importance to risk management throughout the value chain. In addition to highlighting these issues in the report, the Group also pays special attention to these aspects in the implementation of measures, reflecting the Group's role in promoting sustainable social development.

Apart from describing the social and environmental performance of the Group, this report is also one of the important platforms for communication with stakeholders. We hope that the stakeholders will not hesitate to provide us with advice to help us make continuous progress.

China SCE Group Holdings Limited
Wong Chiu Yeung
Chairman



SUSTAINABILITY GOVERNANCE

China SCE believes that sustainable development is an integral part of the Group's business strategy and understands the importance of good corporate governance practices for the Group's opportunities and risks in addressing sustainability. The board of directors of the Group understands that it is fully responsible for formulating sustainable management policies and systems and maintaining their effectiveness to safeguard the interests of all stakeholders. The management cooperates with the board of directors to regularly review the Group's operating procedures and standards and incorporate sustainability related factors into the daily operations of the Group.

To effectively implement the sustainability strategy, the Group plans to set up a working group on ESG (the "Working Group") to report to the board of directors, including the board of directors, senior management, and representatives of core businesses, projects and departments. With the assistance of the Working Group, the board of directors will further develop and implement the Group's vision, objectives, strategies and actions in employment management, product responsibility, environmental protection and community investment, and accurately communicate such information to stakeholders.

Risk Management

The Group believes that risk management is an important part of the day-to-day management and good governance of enterprises. The board of directors is fully responsible for ensuring sound and effective risk management and internal monitoring systems, and has authorised the Audit Committee to review the Group's risk management and internal monitoring systems, covering finance, operation, compliance, risk control, human resources and other aspects, in order to monitor, assess and manage the risks of the Group's business activities.

During the Year, the Group noted the following ESG risks related to operations and business, and has implemented relevant measures:

Major ESG Risks	Impact	Control Measures
Labor standards	As a developer, the Group and engineering contractors use a large amount of human resources. If there is a misuse of child labor or forced labor, the Group will bear the corresponding legal risks and have a negative impact on the brand image.	The Group complies with relevant national laws and regulations and formulates a number of policy documents to control and supervise its own and business partners' employment process to prevent the use of child labor or forced labor.
Construction safety	The Group relies on third-party contractors and service providers to provide certain construction engineering businesses. Safety-related irregularities or accidents during construction may result in fines, suspension of works, legal sanctions, major claims and/or loss of reputation.	The Group specifies the requirements for occupational health and safety of contractors in the contracts, and incorporates safety management into the supplier evaluation criteria.

The Group noted that the current risk management and internal monitoring systems do not fully cover operational-related sustainable development issues. Looking ahead, the Group plans to conduct annual ESG risk assessments according to its business nature to ensure timely identification of relevant risks and identification of response plans.

COMMUNICATION WITH THE STAKEHOLDERS

The opinions of stakeholders are essential for the sustainable development of China SCE, helping the Group to examine potential risks and business opportunities, identify and evaluate the importance of sustainability issues and formulate appropriate policies and measures.

The Group's stakeholders include not only employees, but also customers, business partners, investors, regulatory bodies and various types of community groups. The Group has been communicating with major internal and external stakeholders through different channels to collect feedbacks for continuous improvement of the Group's operations.

Stakeholder Group	Communication Channel Example
Employees	Through employee satisfaction surveys, the Group understands the opinions and suggestions of employees and makes improvements in the office environment, group activities, employee benefits, and dietary choices.
Customers	The Group's "SCE Club" builds an information interactive platform for customers, provides all-round services such as business preferences, cultural salons and real estate consultation, and strengthens close contact with customers.
Business partners	The Group clearly sets out the standards to be met by contractors or suppliers in terms of environmental and social performance in tender invitations and contracts, and organises sharing sessions and training courses to exchange information with business partners on sustainable development issues such as health, safety and environmental management.
Investors	The Group has maintained a continuous dialogue with investors, especially through direct communication with investors at the general meetings, investor conference and roadshow, to deepen their understanding and confidence on the Group's development strategy and operation. At the same time, the Group provides timely and up-to-date information to investors through its website, including company information such as announcements, annual reports, interim reports and press releases.
Regulatory authorities	The Group takes the initiative to pay attention to the latest laws and regulations, and actively participates in industry association activities.
Community groups	The group regularly carries out community volunteer activities to create a harmonious and civilised community culture.

The Group appointed an independent consultant to assist in the preparation of the ESG report for the Year. During the period, the consultant assisted the management of the Group in reviewing the ESG issues in the Guide by the Stock Exchange and identifying material issues based on their importance to stakeholders and the impact of the Group on society and the environment. Based on the results of the review, the management believes that the material issues of the Group for the Year are:



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In order to better understand the expectations, perceptions and concerns of the Group's stakeholders, and to prioritise the sustainable development concerns of the stakeholders, the Group will continue and expand the communication with the stakeholders, and collect the opinions of internal and external stakeholders through various forms such as online questionnaires, so as to make the materiality analysis more complete.

EMPLOYEE SUPPORT

China SCE believes that employees are an important driving force for the Group to achieve sustainable development. We always adhere to the principle that "People Are The Most Important Resources" and the policy of "Human-Based Management" to achieve win-win situation between enterprises and talents. The Group has formulated a series of policies and measures to provide a harmonious, equal, healthy and safe working environment for employees, to protect their rights and interests, and to provide diversified training and promotion opportunities to support staff development.

Employment System

The Group attaches great importance to the establishment of a sound employment system. At present, the Group has formulated the Employee Handbook to regulate the management of remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other benefits and welfare.

The Group believes that every employee should be respected and strives to provide equal opportunities and does not tolerate discrimination or harassment based on age, gender, race, marital status, family status or disability. At the same time, the Group encourages and advocates diversity and recruits employees of different genders, ages, cultures and educational backgrounds, professional experience and skills through multiple channels to create a diverse workforce.

In addition, in terms of remuneration and welfare, the Group adheres to the principle of "Fair to the Interior, Competitive, Incentive and Economic to the External", attracting and retaining outstanding talents. Variable factors, such as bonuses, are determined by the monthly or annual performance assessment results of the employees, so as to give full play to the incentive function of the remuneration system of "Reward by Contribution". The Group reviews the employee remuneration plan at least annually to ensure that it maintains market competitiveness and allows the employee to receive fair and equal rewards. The promotion decision is also based on considering the employee's assessment results, experience, skills and personal characteristics.

The Group is fully aware that child labor and forced labor violate basic human rights and international labor conventions and pose a threat to sustainable social and economic development. The Employee Handbook states that the Human Resources Department must check the valid documents at the time of recruitment and staff entry to prevent misuse of child labor. At the same time, the Group prohibits all forms of forced labor and ensures that labor contracts are signed, amended, continued, removed and terminated in accordance with the principles of legality, fairness, equality, voluntariness, consensus and sincerity.

Once a suspected violation of the employment system or labor standards is found, the employee may make an interview or a written complaint, or call the internal supervision hotline to report anonymously to the Audit Supervision Department. During the Year, the Group did not receive any reports of employment-related misconduct, such as equal opportunities, discrimination, diversity, child labor and forced labor.

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As of 31 December 2018, among the 661 full-time employees³ in the Headquarters and Project Companies, 565 (31 December 2017: 341) worked at the Headquarters. More employees is needed to meet the demand for the Group's operation expansion.

Total Employees: 661	
Percentage of Employees	By Gender
	1.46:1 (Male to Female)
Total New Employees	Percentage of New Employees
479	72.5%
Total Resigned Employees [^]	Percentage of Resigned Employees [^]
224	42.0%

Remarks:

[^] Does not include employees who were deployed from the Headquarters and Project Companies to the operating points outside the scope of the Group's report due to business needs, and vice versa.

Employee Participation

The Group attaches great importance to communication with employees and is committed to enhancing the participation of employees in the company construction. At the end of September, the Group launched the "Grass-roots Gunshot Plan" (基層炮聲計劃) to enable grass-roots employees to make proposals through the China SCE Intranet to feedback their suggestions and opinions on the policy system and work process. A special working group led by the President's Office of the Group will sort out and discuss the opinions collected and provide feedback to the employees of the proposal within one month: for the adopted opinions, the Headquarters will attach specific solutions and timetables; for the opinions not adopted, it will inform the reasons for the rejection and ensure the enthusiasm of employees to participate. Within three months upon implementation of the plan, the Group has received a total of 135 proposals and adopted 47 of them.

³ During the Year, the Group and Project Company did not employ part-time employees.

Case:

Before the implementation of the “Grass-roots Gunshot Plan”, employees were required to manually enter the details of the purchased materials into the “Engineering Materials Procurement Process” database. When the number of items was large, it did not only take a longer time, but also increased the risk of mistakes. Employees reported problems to the Group through the “Grass-roots Gunshot Plan” and suggested adding the form import functions. After research and adjustment, the special working group arranged the development of the form import functions. The function has been put into use, which improves the work efficiency.

In addition to the “Grass-roots Gunshot Plan”, the Group also opened up other communication channels, including the use of social platforms to establish staff groups and conduct various satisfaction questionnaires, with a view to safeguarding each employee’s right to consultation, information, advice and complaint in many ways. Through effective communication, the Group understands the needs of employees and strengthens the consensus of employees on corporate management ideas and strategic objectives, so that projects, departments and individuals can collaborate more effectively.

At the same time, the Group also strengthens the sense of belonging and team cohesion through a variety of staff activities. During the Year, the Group organised festival activities as Women’s Day Hand-painted Pillows, Mid-Autumn Festival Cakes, and occasional afternoon tea activities, and encouraged employees to organise interest groups such as football, basketball, badminton and hiking in their spare time, so as to improve team



spirit while relaxing. In addition, during the Year, with the theme of “Spartan Warriors”, the Headquarters held staff development training activities in Jiulongshan, Pinghu, Jiaying. The activities included climbing high slopes, boating on dry land, climbing about 8 kilometres of mountain trails, collating 60 square metres of paintings with sticky post and other challenges. They tested the ability of team members to cooperate, communicate and collaborate with each other, and enhance the sense of team responsibility in the activities.

Training and Development

The Group has documents such as the Manual of Training Management Operations (《培訓管理作業指導書》), the Manual of New Employee Orientation Training Management Operations (《新員工入職培訓管理作業指導書》) and the Manual of Internal Lecturer Management Operations (《內部講師管理作業指導書》), which guide the Administrative Human Resources Department to prepare annual training plans and implement training arrangements in accordance with the Group's talent development ideas, training needs and external expert recommendations.



In addition, the Group has established China SCE College to provide employees with three types of training programs, namely business courses, quality skills and cultural identity. According to the Employee Handbook, each employee can become a student of the college and receive a variety of internal and external training. Internal training is carried out by the employees of the Group, mainly for new employees' induction guidelines, business knowledge, quality culture education and standardisation management; external training is conducted by professional training institutions or individuals employed by the Group to meet different business needs for on-the-job training.

After the completion of the course, the Group will collect participants' opinions, analyse training performance indicators such as attendance rate, lecturer performance, student achievement and student satisfaction, and feedback the results to the leaders of relevant departments. At the end of each year, it will prepare course information and analysis reports, update the database of training materials, experts and colleges, and continuously improve the training system.

The Group also provides support and fee subsidies for employees involved in external qualification training for engineering, accounting, statistics and construction, as well as for tertiary education, to encourage employees to add value.

Case: Marketing System Training

In order to strengthen the overall ability of the marketing team, during the Year, the Group held seven special training sessions on marketing functions to provide skills courses covering brand recognition, sales process, market analysis, case risk control, property service, customer development, sales techniques and marketing management for employees at all levels of the marketing line. A total of 757 people participated in the special training and received post-training survey evaluation.

In addition, in order to continuously build and develop a high-quality marketing talent team, the Group has also established a marketing institute. The Headquarters marketing management department has set up three training platforms: marketing integration camp, business forum and marketing smelting camp to develop and manage various courses. Participants in the marketing training will receive points, which will be accumulated and linked to the employee potential value, affecting the amount of the bonus and learning fund.

Platform	Target Audience	Purpose
Marketing integration camp	Newly employed property consultant	Help new employees quickly understand corporate culture and have basic marketing skills
Business forum	All marketing staff	Enhance employee marketing capabilities through online institutional advocacy and skill sharing
Marketing smelting camp	Excellent Marketing Director and Marketing Planning Manager	Through the sharing of classical marketing cases, the training of marketing practical tools, team training and motivation, and the development of industry perspective, excellent marketing management talents can be reserved for the development of marketing system



Health and Safety

The Group is committed to providing a healthy and safe working environment for its employees. In the Employee Handbook, it clearly defines the occupational safety of its employees, as well as the rights and responsibilities of its employees to protect the Group's safe environment and their own safety. Although the operations of the Headquarters and Project Companies mainly involve clerical work and there are no jobs with high security risks, the Group understands the importance of a high-quality office environment for the health and safety of its employees. The Manual of Safety Management Operation of Office Places (《辦公場所安全管理作業指導書》) specifies that the administrative department shall inspect the power supply and facilities in the public area of the office every day, and conduct at least one overall safety inspection every quarter, so as to identify and eliminate potential safety hazards in time. In order to improve office indoor air quality, the Group has taken measures such as installing a fresh air system, placing green plants, and conducting regular office air quality testing.

In addition, the Group complies with the Work Injury Insurance Regulations to pay for work injury insurance premiums and arranges pre-employment physical examinations for all new employees. The Headquarters has also launched a variety of fresh fruit and vegetable drinks in staff restaurants to enrich employees' healthy dietary choices.

In addition to self-employed employees, the Group also attaches importance to the health and safety of its business partners. As the construction of property projects is mainly carried out by contractors, the Manual of Management of Safe and Civilised Construction (《安全文明施工管理作業指導書》) requires the contractor to prepare a complete safety special construction plan and civilised construction plan before the construction, and assign the relevant departments such as the Engineering Management Department, the Quality Management Department and the Engineering Project Department of the companies to supervise and inspect to ensure that site safety is maintained at a high level.

The Group complies with relevant laws and regulations, such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, the Occupational Disease Prevention Law of the People's Republic of China and the Regulations on Labor Protection for Female Workers. During the Year, the Group was not aware of any violations of employment, health and safety and labor standards.



OPERATION RESPONSIBILITY

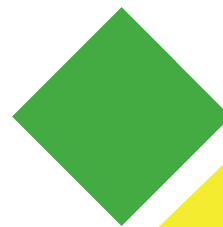
Supply Chain Management

Property development projects need to cooperate with many suppliers and contractors, involving construction, materials, equipment, consulting services and other aspects. The due diligence of business partners is closely related to the business operations of the Group. Therefore, the Group works closely with suppliers and contractors to ensure that they meet the requirements of customers and the Group in terms of quality, environment and safety standards.

In order to further regulate contractors and suppliers, and in line with the requirements of standardisation construction of the Group, the Group issued standardisation documents related to supplier management through the office automation system during the Year, covering all types of products and services. For example, in terms of project engineering, the Group implements the Manual of Engineering System Supplier Management Operation (《工程系統供應商管理作業指導書》); for marketing suppliers, the Group has also developed the Manual of Marketing Supplier Admission and Purchasing Management Operation (《營銷供應商准入及採購管理作業指導書》) to select suppliers according to standardised processes.

The Group sets out supplier cooperation standards in relevant operation manuals to standardises the supplier management process and indicate the division of labor and responsibilities of the relevant departments in supplier management. The Group strictly selects suppliers and conducts pre-qualification and inspection of potential suppliers' quality control, performance, safety and civilisation, production capacity, etc. Only those suppliers who pass the pre-qualification and qualify the inspection results without major accidents, and who are not in conformity with or sued in terms of quality, safety, corruption and anti-competition, can join the Group's qualified supplier pool and may be invited to participate in the bidding process, thus becoming a partner of the Group.

For existing partners, the Group also strengthens its management of environmental and social risks through construction contracts. Each of Project Companies regularly inspects and supervises the procurement materials of the suppliers and the on-site construction of the contractors. If problems are found, relevant responsible units are required to make timely rectification. At the same time, the Group is committed to maintaining continuous communication with suppliers and providing timely support. If there is any change in the Group's policy and system, the Group will also promptly notify the partners of the changes.



Product Responsibility

Quality Management

Adhering to the principle of providing quality properties to customers, the Group's Manual of Construction Quality Control (《工程質量控制作業指導書》) provides a set of standards for project quality management, and sets clear requirements for business processes from design to acceptance, so as to control the quality risk of the project and ensure the health and safety of users. At the same time, the Group signs a construction contract with the contractor, which describes relevant international standards concerning construction procedures, quality requirements for completed projects and quality management implementation methods.

Project Companies, City Companies and Engineering Management Departments are responsible for the supervision of project quality. They are required to regularly monitor, inspect and test the construction unit at each stage of construction, record data, perform scoring and manage unqualified work. The Group has a reward and punishment mechanism, which regularly rewards construction units with outstanding scores; gives financial penalties to those with unsatisfactory qualifications, and even suspends their bidding qualifications, and internally punishes the management personnel responsible for relevant projects.

In addition, for general and major project quality accidents, the Manual of Construction Quality Control has separately specified the handling procedures, responsible personnel and accountability system, and clarified the responsibility of quality management.

Customer Rights and Interests

The Group values maintaining good relationships with existing and potential customers. In order to convey accurate and effective information to customers, the Group has formulated the Manual of Standardised Management Operation of Case Sites (《案場打造標準化管理作業指導書》) and the Handbook for Marketing Inspection Management Business (《營銷巡檢管理業務手冊》) to standardise the management and inspection of marketing personnel's rhetoric, propaganda materials and case site layout. If it is found in the inspection that the placement of sand table is inconsistent with the actual construction plan, and that the propaganda words exaggerate the facts and other false or irregularities, the Group requests the relevant departments to rectify the situation and publicise it to the public after the confirmation of the completion of the rectification.

At the time of contract delivery, the Group's marketing and customer service personnel are also responsible for confirming that the delivery content is consistent with the final version signed by the Group, and includes in the contract the basic conditions of the property, delivery conditions and procedures, quality and warranty obligations, and any planned design or area, so as to enable customers to understand the true situation of the goods and services and to guarantee their right to know.

China SCE promises to provide customers with high standards of after-sales service and sets up "China SCE Club" to strengthen communication with customers. The Group has also developed a complaint handling mechanism, through the Manual of Customer Complaint Handling (《客戶投訴處理作業指導書》), to clarify the handling procedures of complaints related to engineering quality, design planning, sales management, service behavior, public relations and property management.

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The Group respects the personal information of its customers and prohibits employees from obtaining customer information unrelated to transactions and selling or leaking customer information to third parties in the course of performing their duties. These requirements have been passed to all employees through the confidentiality provisions in the Employee Handbook.

The Group complies with relevant laws and regulations, such as the Urban Real Estate Management Law of the People's Republic of China, the Regulations on the Development and Management of Urban Real Estate, and the Advertising Law of the People's Republic of China. During the Year, the Group was not aware of any violations of the laws and regulations relating to the health and safety, advertising, labelling and privacy of the products and services provided.

Anti-corruption

The Group implements a zero tolerance policy on corruption, abuse, bribery, fraud and other incorruptible behaviors. The Employee Handbook and the Manual of Employee Integrity and Self-Discipline Operation (《員工廉潔自律作業指導書》) stipulate that employees should refuse the benefits from outsiders or units, including gifts, banquets and hospitality; if they cannot refuse, they should hand the gifts over to the financial management department or the administrative department, and the Group decides how to deal with them. At the same time, the Group prohibits employees from seeking benefits from outsiders or organisations in their business contacts, or using the Company's finances or facilities for personal activities in violation of regulations.

In order to strengthen the integrity management, the Group has formulated and implemented the Manual of Supervision and Management (《監察管理作業指導書》). The Audit and Supervision Department regularly carries out internal audit and supervision work within the Group, and carries out risk identification, timely detection of corruption and fraud and other risks. The Administrative Human Resources Department shall assist employees to fill in the Form of Declaration of Conflict of Interest of Employees (《員工利益衝突申報表》), so as to avoid acts or relationships that may conflict with the interests and responsibilities of the Company. For example, the Group adheres to the recruitment principle of seeking talents and avoiding relatives. If employees recommend relatives to apply for jobs, they must declare in advance and avoid positions related to their businesses.

The Group requires suppliers to attach the Integrity Management Agreement (《廉政管理協議書》) when signing business contracts in order to enhance the integrity of cooperation in the performance of contracts. In addition, some Project Companies, such as Changtai Sunshine City, have set up a clean promotion signboard in the conference room of the construction site to enhance partners' awareness of misconduct and reporting awareness, and to provide information on reporting channels such as telephone, mail and e-mail. The establishment of such reporting mechanisms and channels also allows all employees and customers to report anonymously to the Audit and Supervision Department any possible misconduct, malfeasance or irregularities of the Group or related business units.

The Group complies with relevant laws and regulations, such as the Criminal Law of the People's Republic of China. During the Year, the Group was not aware of any corruption cases or litigation cases related to the Group and its employees and did not receive relevant reports.

ENVIRONMENTAL PROTECTION

Environmental sustainability is one of the key concerns of the Group in fulfilling its corporate social responsibility. The Group complies with the relevant environmental laws and regulations at each of the operating points and implements the Environmental Protection Policy Statement (《環境保護政策聲明》) to inject the concept of environmental sustainability into its business operations.

Project Level

China SCE is committed to reducing the negative impact of the projects on the environment. Through formulating and implementing environmental policies and measures at all stages of property development, China SCE strengthens the environmental management of the project life cycle.



Planning and Design

In the initial stage of project development, the Group identifies the potential impact of the project on the surrounding environment and residents, submits assessment reports, forms and registries on the environmental impact of the project, and reports the environmental status and quality to the local environmental protection supervision department and other stakeholders, as well as the proposed protection measures. After obtaining the consent and obtaining the certification documents such as the Construction Land Planning Permit (《建設用地規劃許可證》) and the Construction Engineering Planning Permit (《建設工程規劃許可證》), Project Companies will carry out the project.

For construction projects that may cause soil erosion, such as Sunshine City, the Group has prepared the Water and Soil Conservation Plan Report (《水土保持方案報告書》) in accordance with the Technical Specifications for Water and Soil Conservation of Development and Construction Projects (《開發建設項目水土保持技術規範》) to undertake the responsibility for soil erosion prevention and mitigate the negative impact of the project on the ecological environment.

At the same time, the Group promotes green buildings, and considers such factors as green design, environmental protection materials and green construction methods in project planning. The Glamour, The Paramount and Parkview Bay have met the standards of green building in terms of energy consumption, lighting power density, water system, ventilation devices, etc., and have obtained green building identification certificates.

Jinan • Parkview Bay



Case: Green Building Design — Parkview Bay

Parkview Bay project is located in the Daxiuyuan River area of Xinshan, Jinan, adjacent to Mingshui Lake. It is the pioneering work of China SCE in Jinan. With its effective application of renewable energy, energy-saving and water-saving measures and green environmental protection concept, Parkview Bay has won the three-star design logo for green buildings in Shandong Province.

The purpose is to provide a comfortable and energy-saving living environment for residents. Parkview Bay makes full use of the terrain and climate characteristics of the project location. The overall orientation of the residential buildings is oriented towards the North-South direction. Through the scattered arrangement of the residential buildings in the project area, the determinant combines with the scattered plane layout to form a semi-enclosed landscape courtyard, ensuring the natural ventilation and lighting of the space. At the same time, the Group attaches great importance to the positive effects of greening on controlling pollution, absorbing harmful gases, reducing noise and beautifying the environment. It adopts a variety of greening methods to rationally allocate plant communities to achieve a green area of 92,356.37 m² with a green land rate of 44.88%.

In addition, the Group strives to build Parkview Bay into a project with low energy consumption and low water consumption by adopting the following major green measures:

- Each residential balcony is equipped with solar collector, so that the annual guaranteed rate of solar hot water is more than 50%. It is estimated that the annual cost of electricity consumption of the whole project will be saved by RMB2.3942 million;
- Energy-saving lighting fixtures are used in public areas, and energy-saving control technologies such as zoning, timing and induction are applied in lighting systems of corridors, stairwells and underground parking lots;
- Water-saving appliances are used, and the water use efficiency of sanitary appliances such as taps, toilets and showers all reaches grade 1;
- Reclaimed water treatment station is constructed, using the treated domestic sewage for road cleaning and greening irrigation; and the condensate water of air conditioning is collected and discharged to the reclaimed water station through rainwater pipes and used together with the reclaimed water. The overall utilization rate of non-traditional water resources was 8.62%;
- In the design of underground garage, a carbon monoxide concentration sensor is used to control the fan, and the automatic air discharge is performed according to the detected concentration. While ensuring indoor air quality, it also avoids energy waste caused by excessive exhaust frequency;
- The concept of “sponge city” is integrated into the design. Through setting concave green space around the road to collect precipitation, control surface runoff, help cities enhance water cycle effect and improve flood resistance.

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In order to enhance the sustainability of architectural design and construction projects more effectively, the Group is committed to introducing innovative technologies into the project. Parkview Bay introduced Building Information Modelling (BIM) at the design stage of the underground garage. BIM simulation analysis of building environment and space can provide a basis for design optimization, reduce the error and leakage of the drawings, so as to avoid the waste of resources caused by the need for demolition and alteration of subsequent construction.

Based on the above measures and technologies, Parkview Bay has effectively reduced the environmental impact and resource use of the project on the basis of ensuring safe and high-quality construction and healthy and comfortable spaces, creating good economic, environmental and social benefits.

Procurement Bidding

Continuing the green concept in the planning and design phase, the Group prefers environmentally friendly materials in the procurement of building materials. For example, Sunshine City uses hollow concrete blocks as infill wall materials. Its commercial production characteristics can effectively reduce the pollution emissions during construction, save energy and water, and have a high capacity to absorb industrial waste.

In addition, the Group appoints contractors for the construction of property projects, so it is important to ensure that they share the same concept of sustainable development with the Group. The Group formulates and implements the Supply Chain Management Policy Statement (《供應鍊管理政策聲明》) to strengthen the project access mechanism and incorporate environmental protection into the assessment guidelines.

Engineering Construction

In the construction contract of the construction project, the Group specifies the requirements of safe and civilised construction and standardises the management methods. The contractor is required to identify the possible environmental impacts caused by the construction and specify the specific measures to deal with such impacts in the construction organisation design. Project Companies will also work with the commissioned supervisor to monitor the implementation of contractor's environmental measures and the performance of environmental management.



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Main pollution sources and prevention measures during construction period

Air	<ul style="list-style-type: none">• Temporary installation of enclosure wall at the construction site and the use of an atomising spray system to suppress dust• Installation of PM2.5 monitor at the site gate to update the PM value at all times and upload it to the monitoring network synchronously, so as to ensure that managers can master the situation of air pollutants at the site and improve the efficiency of monitoring work• Wash and clean vehicles before leaving the construction area to avoid scattering road with dirt carried by wheels, chassis, etc.
Wastewater	<ul style="list-style-type: none">• Wastewater is deposited and reused for dustproof spraying on storage yard and material yard, road flushing and tire flushing of vehicles out of construction area, etc.
Waste	<ul style="list-style-type: none">• Establishment of closed waste tanks for waste storage• Process disposal certificate before construction according to regulations, declaring construction waste and engineering dregs transportation disposal plan, defining the transportation mode, route and direction of dregs, etc., and the dregs can be transported to the designated storage site upon approval• After the completion of the construction, the fences and other temporary construction facilities shall be demolished in time. The construction site shall be leveled, and the construction waste, dregs and other wastes shall be removed, and the qualifications shall be checked by Project Companies and the supervisor
Noise	<ul style="list-style-type: none">• Adopt low noise construction machinery and construction technology, and strengthen maintenance of construction equipment• Add a movable and simple sound insulation screen to mitigate the effects of noise

Delivery

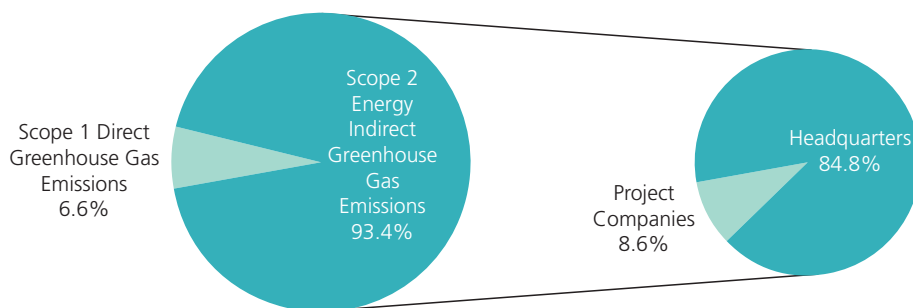
After the completion of the project, Project Company apply to the environmental protection supervision department for acceptance of environmental protection, inspect the implementation of ecological protection and pollution prevention and control related facilities and measures, and can enter the housing delivery stage only after the inspection passes. The Group also attaches great importance to the environmental impact of its properties in the use phase. It adds considerations such as community greening, drainage system and waste disposal and recycling facilities to the project, and also installs energy metering systems in some building projects to assist users in monitoring electricity consumption and controlling expenditure, so as to enhance the environmental performance of the whole life cycle of the building.

Office Level

Greenhouse Gases and Energy Use

Extreme weather brought about by climate change directly or indirectly affects the ability of different institutions to access resources and maintain operations. The Group recognises that enterprises play an important role in addressing climate change and takes annual accounting, validation and assessment of emissions data as an important part of carbon reduction. During the Year, the Group continued to commission consultancy firm, Carbon Care Asia, for carbon assessment. The assessment process refers to guidelines issued by the National Development and Reform Commission of China⁴ as well as international standards such as ISO14064-1 and the Greenhouse Gas Protocol.

During the Year, the Headquarters and Project Companies produced greenhouse gas of a total of 1,546.1 tons of carbon dioxide equivalent. Electricity consumption is still the largest source of greenhouse gas emissions of the Group, accounting for 93.4% of the total. In addition to purchased electricity, kitchen equipment and vehicles also produce greenhouse gases, accounting for 6.6% of total emissions.



Remarks:

Scope 1: Includes emissions from the consumption of fossil fuels by stationary and mobile sources in the Group.

Scope 2: Includes emissions from electricity consumption by the Group.

In order to reduce greenhouse gas emissions, the Group has used timer sockets for energy-intensive equipment (including 8 water dispensers and 24 small kitchen electric water heaters) at the Headquarters, which can save 164.4 kWh of electricity per day and about RMB30,000 of electricity cost per year. In addition, the Group issued the Notice on Energy Conservation Management and Control of Office Environment (《關於辦公環境節能管控通知》) to all employees, to regulate the conditions and temperatures of air conditioning, and remind employees to turn off lighting, computers, air conditioners, photocopiers and other power-consuming equipment before leaving work, so as to cultivate energy-saving working habits.

⁴ The Methods for Accounting and Reporting Greenhouse Gas Emissions of Shanghai Tourism Hotels, Shopping Malls, Real Estates and Financial Offices (Trial) (《上海市旅遊飯店、商場、房地產業及金融業辦公建築溫室氣體排放核算與報告方法(試行)》) and Guidelines for Accounting and Reporting Greenhouse Gas Emissions — China Public Building Operation Units (Enterprises) (Trial) (《公共建築運營企業溫室氣體排放核算方法和報告指南(試行)》)

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Types of Energy	Shanghai		Total Usage	Unit
	Head Office	Project Office		
Gasoline	133.4	N/A	133.4	MWh
Liquefied Petroleum Gas	240.0	N/A	240.0	MWh
Natural Gas	71.7	N/A	71.7	MWh
Liquefied Natural Gas ⁵	N/A	17.0	17.0	MWh
Electricity	2,150.2	217.3	2,367.5	MWh
Total Energy Consumption	2,595.3	234.3	2,829.6	MWh
Energy Intensity (in terms of area)	N/A	N/A	0.11	MWh/ Square Metre

During the Year, the Headquarters and Project Companies used 2,367.5 MWh of electricity, accounting for 83.7% of total energy consumption. The Group is committed to improving energy performance. With the Year as the base year, the Group has set a target of reducing per capita electricity use by 5% in 2019, and will continuously measure and monitor the effectiveness of relevant energy-saving action plans.

Waste and Use of Resources

Through the Environmental Protection Policy Statement (《環境保護政策聲明》), the Group undertakes to properly manage the hazardous and non-hazardous waste produced in its business operations and prevent land and water pollution caused by waste. During the Year, the Headquarters and Project Companies produced 0.3 ton of hazardous waste such as waste light tubes, waste batteries and waste toner boxes, which were properly stored and regularly collected and disposed of by qualified recyclers. At the same time, the Group also produced a total of 71.0 tons of domestic garbage and food waste, which was handed over to the relevant municipal departments for clearance.

In order to reduce waste generation from the source, the Group encourages employees to practice and participate in more sustainable office and lifestyle, such as promoting paperless office, encouraging employees to make good use of electronic communications to circulate documents, encouraging the reduction of disposable cups and reusing resources. Due to the business nature, the operations of the Group do not involve the use of packaging materials.

In terms of water use, although the Headquarters and Project Companies currently purchase sufficient water from municipal supply, the Group understands the pressure on global water resources and therefore continues to encourage staff to conserve water resources. At the same time, the Headquarters has completed the installation of water-saving faucets and toilet flushing systems during the Year, expecting to further reduce the use of water resources.

During the Year, the Headquarters and Project Companies consumed a total of 16,061 m³ of water resources, of which 11,760 m³ were consumed at the Headquarters and 4,301 m³ were consumed at Project Companies. Based on the data for the Year, the Group has set a target of water saving per capita by 5% in 2019 to guide the formulation of water saving measures for the next year.

The Group complies with relevant laws and regulations, such as the Environmental Protection Law of the People's Republic of China and the Comprehensive Wastewater Discharge Standard of Shanghai. During the Year, the Group was not aware of any violations of the laws and regulations related to emissions and the environment.

⁵ Only The Royal Bay in Nanchang involved the use of liquefied natural gas.

COMMUNITY INVESTMENT

The Group values its commitment to social responsibility and the needs of the communities in which it operates. In order to make community investment more standardised and effective, the Group has formulated the Community Investment Policy Statement (《社區投資政策聲明》) to unify its community investment behavior.

Under the guidance of the Community Investment Policy Statement, the Group has continued to attach importance to education and cultural industries, actively carries out relevant investment work, and is committed to bringing love and care to the younger generation. During the Year, the Headquarters and Project Companies contributed a total of more than RMB75 million to various public welfare undertakings.

On 24 February, Mr. Wong Chiu Yeung, the Chairman of the Board of the Group, announced that China SCE has made a long-term donation of RMB500 million to Fujian Nanan Charity Federation (福建南安慈善總會) to establish Nanan Charity Federation China SCE Charity Fund, which is mainly used to promote the development of education and poverty alleviation.

Since the establishment of China SCE Scholarship (中駿助學金) in Xiamen University in 2008, the Group has continued to support the construction and student development of Xiamen University for ten years and is committed to helping more impoverished students with good character and academic performance to complete their studies. On 6 April, Xiamen University issued a donation certificate to the Group at the celebration of the 97th anniversary of the school, expressing its respect and gratitude.

During the Year, the Group has been actively involved in fulfilling corporate social responsibility through charitable donation schemes. It also encourages employees to maintain a high level of community participation, including participation in supporting sports, poverty alleviation and school aid activities in rural areas in China, such as the “Give Warmth with Love, Let Happiness be Fun” charitable book donation held at the Headquarters in December this year.

In order to fulfill the social responsibility of China SCE as a listed company, the Group will continue to seek opportunities to serve the community through a wider range of channels.



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OVERVIEW OF KEY PERFORMANCE INDICATORS

Environment Performance — Emissions and Use of Resources

Types of Emissions		Region		
		Headquarters	Project Companies	Total
Air Pollutants	Nitrogen Oxides (kg)	66.8	2.4	69.2
	Sulfur Oxides (kg)	6.9	0.02	6.9
	Respirable Suspended Particles (kg)	3.4	0.05	3.4
Greenhouse Gas	Scope 1 Direct Greenhouse Gas Emissions ⁶ (Tons Carbon Dioxide Equivalent)	98.6	3.0	101.6
	Scope 2 Energy Indirect Greenhouse Gas Emissions ⁷ (Tons Carbon Dioxide Equivalent)	1,311.9	132.6	1,444.5
	Total Greenhouse Gas Emissions (Tons Carbon Dioxide Equivalent)	1,410.5	135.6	1,546.1
	Greenhouse Gas Intensity (Tons Carbon Dioxide Equivalent/Square Metre)		0.06	
Hazardous Waste	Total Hazardous Waste (Tons)	0.2	0.1	0.3
	Hazardous Waste Intensity (Tons/'000 Square Metre)		0.01	
Non-hazardous Waste	Total Non-hazardous Waste (Tons)	61.0	10.0	71.0
	Non-hazardous Waste Intensity (Tons/'000 Square Metre)		2.73	

Types of Resources		Region		
		Headquarters	Project Companies	Total
Energy	Gasoline	133.4	N/A	133.4
	Liquefied Petroleum Gas	240.0	N/A	240.0
	Natural Gas	71.7	N/A	71.7
	Liquefied Natural Gas ⁸	N/A	17.0	17.0
	Electricity	2,150.2	217.3	2,367.5
	Total Energy Consumption (MWh)	2,595.3	234.3	2,829.6
	Energy Intensity (MWh/Square Metre)		0.11	
Water	Total Water Consumption (m ³)	11,760	4,301	16,061
	Water Consumption Intensity (m ³ /Square Metre)		0.62	

⁶ Includes emissions from the consumption of fossil fuels by fixed and mobile sources in the Headquarters and Project Companies.

⁷ Includes emissions electricity consumption in the Headquarters and Project Companies.

⁸ Only The Royal Bay in Nanchang involved the use of liquefied natural gas.

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Social Performance — Employment and Labor Practices

Total Employees (by age group, gender and region)				
Age Group	Headquarters		Project Companies	
	Male	Female	Male	Female
Under 30	113	125	25	36
30–40	198	77	23	10
41–50	25	16	1	1
Over 50	7	4	0	0
Subtotal	343	222	49	47
Total	565		96	

Total Employees (by employment category, gender and region)				
Employment Category	Headquarters		Project Companies	
	Male	Female	Male	Female
Chief Manager	9	2	0	0
Senior Management	17	4	5	0
Middle Managerial Staff	54	24	13	4
General Staff	263	192	31	43
Subtotal	343	222	49	47
Total	565		96	

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New Employees ⁹ (by age group, gender and region)				
Age Group	Headquarters		Project Companies	
	Male	Female	Male	Female
Under 30	98	88	32	42
30–40	127	41	23	13
41–50	11	4	0	0
Over 50	0	0	0	0
Subtotal	236	133	55	55
Total	369		110	
Percentage of New Employees to Total Number of Employees		72.5%		

Employee Turnover ¹⁰ (by age group, gender and region)				
Age Group	Headquarters		Project Companies	
	Male	Female	Male	Female
Under 30	29	28	24	28
30–40	54	21	21	14
41–50	2	3	0	0
Over 50	0	0	0	0
Subtotal	85	52	45	42
Total	137		87	
Employee Turnover Rate		42.0%		

⁹ Does not include employees who joined the Headquarters and Project Companies from the operating points outside the scope of the Group's report due to business needs.

¹⁰ Does not include employees who were deployed from the Headquarters and Project Companies to the operating points outside the scope of the Group's report due to business needs.

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Cases of Work-related Deaths/Injuries (by region)

Region	Work-related Deaths	Work-related Injuries	Percentage of Work-related Deaths/Injuries (per 100 employees)	Lost Days due to Work Injury
Headquarters	0	0	0	0
Project Companies	0	0	0	0

Training (by employment category and gender)

Employment Category	Number of Employees Trained		Number of Training Hours	
	Male	Female	Male	Female
Chief Manager	8	2	128	32
Senior Management	25	3	618	48
Middle Managerial Staff	51	19	1,444	382
General Staff	194	157	6,924	5,172
Subtotal	278	181	9,114	5,634
Total	459		14,748	
Percentage of Trained Employees	69.4%			
Average Number of Training Hours per Employee	27.6			



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