

2018

Environmental, Social and
Governance Report





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About this Report

REPORTING STANDARD

This report was prepared in accordance with the “comply or explain” provisions set out in the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

To enable meaningful communication and informed decision-making, we follow the four fundamental reporting principles listed in the ESG Reporting Guide:

- **Materiality:** Materiality assessment was conducted and we identified 16 material issues in our business operation through stakeholder engagement to determine the focus of this report.
- **Quantitative:** Environmental and social responsibility data were collected to monitor our progress in implementing environmental and social responsibility initiatives.
- **Balance:** This report presents both our achievements and improvement plans to present an unbiased picture of our environmental, social and governance (“ESG”) performance.
- **Consistency:** The reporting methodologies remain consistent with past reports to enable a meaningful comparison of our performance. In case of changes in data compilation methodology and scope, remarks are provided for stakeholders’ reference.

REPORTING SCOPE AND BOUNDARY

This is the third annual standalone ESG report of Cosmopolitan International Holdings Limited (“Cosmopolitan” or the “Company” and together with its subsidiaries, the “Group” or the “Cosmopolitan Group”). This report covers the sustainability initiatives taken by and the performance of material ESG issues in our ongoing property development projects in Mainland China.

There have been no changes in the scope of this report from previous reporting periods.

REPORTING PERIOD

Apart from the reporting period under “Our Presence” which is aligned with its Annual Report for the year ended 31 December 2018 (the “Annual Report”), this report encapsulates the highlights of our progress and performance on material ESG issues for the period from 1 January 2018 to 31 December 2018.

ACCESSIBILITY OF THE REPORT

An electronic copy of this report is available at Cosmopolitan’s website at www.cosmoholdings.com. If you have any enquires about this report or have opinions on Cosmopolitan’s ESG performance, please feel free to contact us via info@cosmoholdings.com.

BOARD APPROVAL

This report was approved by the Board of Directors of the Company (the “Board”) on 30 July 2019.

Chairman's Statement

I am pleased to present herewith the 2018 Environmental, Social and Governance Report of the Company.

This year, we recorded satisfactory financial results from the unit sales in our composite property development projects. This has reinforced our commitment in promoting sustainability in our business operations. Through sustainability, we can create additional value for our stakeholders, from our shareholders to our employees, the supply chain and the community.

Our sustainability governance framework guides us on sustainability issues in our business operations. The framework enables us to scrutinise and actively manage our performance in the environmental, social and economic aspects in our business operations.

We continue to promote green construction practices in our property development projects. Our focus remains on the four major environmental issues, namely, energy consumption, water management, waste management and noise control. To minimise our detrimental impacts, we dedicated resources on mitigation measures and continuously monitored their results. Adopting green building elements in our project design, we anticipate the projects will be environmentally sound when they are in the operational phase.

Community support is fundamental in developing a composite project. We care about the community where our projects situate. We maintain our focus on promoting community wellness through donation and volunteerism. We aspire to share our success with the community.

As a responsible corporate, we extend our care to our employees while seeking profit maximisation for our shareholders. We also emphasise on promoting a fair and ethical business environment for our value chain. We spare no effort to work with our suppliers and contractors in these aspects.

As the property development projects in Chengdu and Tianjin proceed, we continue to uphold our belief in sustainable project development. Our sustainability governance framework will continue to guide us in our sustainability journey. Taking this opportunity, I wish to thank everyone who are working with us in promoting a more sustainable world.

LO YUK SUI

Chairman

Hong Kong
30 July 2019

About Cosmopolitan

OUR BUSINESS

Founded in 1991, the Group's core business includes property development, property investment, financial investment and other investments, with the focus on Mainland China. We engage in large-scale property development projects, including upmarket residential properties, top-grade offices, high-class hotels, serviced apartments and shopping centres.

We strive to create long-term value for our stakeholders. The Group is progressing steadily on its two major property development projects, which are anticipated to generate economic benefits for and promote the long-term development of the communities in which they are situated.

The Group believes that sustainability is the cornerstone of our successful development and we incorporate sustainable practices into our operations. We are committed to working in a socially responsible way, including participation in various charitable events and social welfare programmes to contribute to the community.

OUR PRESENCE

Headquartered in Hong Kong, the business of the Group principally comprises two composite property development projects in Chengdu and Tianjin in Mainland China.

CHENGDU PROJECT – REGAL COSMOPOLITAN CITY

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of residential, hotel, commercial and office components, with an overall total gross floor area of approximately 495,000 square metres (5,330,000 square feet).

While the nine residential towers in the first and second stages of the Chengdu project have been completed, the construction works of the third stage of the development consisting of ten residential towers of total 1,555 units, about 4,100 square metres (44,100 square feet) of commercial accommodations and 1,941 car parking spaces are in steady progress. Presale of two residential towers consisting of 314 units in the third stage of the development has recently been launched.

The business remodeling works of the hotel have been completed and corresponding interior design works are progressing. The mechanical and electrical installation works on site are also in steady progress. The interior fitting-out works are scheduled to commence in mid 2019 and the hotel is scheduled to open in phases from the first half of 2020.

The updated scheme design of the remaining commercial components within the development, comprising a six-storey commercial complex of about 48,000 square metres (516,700 square feet) and five towers of office accommodations of about 90,500 square metres (974,100 square feet), have been approved by the local authority and the detailed design work has also commenced. The construction works are planned to be started in late 2019 and the associated presale programme will be launched in late 2020.

About Cosmopolitan



Regal Cosmopolitan City, a composite hotel/commercial/office/serviced apartments/residential development in Xindu District, Chengdu, Sichuan (*)



Casa Regalia (Phase 1), Regal Cosmopolitan City – completed in 2017



Regal Cosmopolitan City adjacent to Chengdu Medical College Station Entrance of the Chengdu Metro



Residential towers of Casa Regalia (Phase 2), Regal Cosmopolitan City (*)



Commercial/office towers of Regal Cosmopolitan City (*) – updated scheme design approved

About Cosmopolitan

TIANJIN PROJECT – REGAL RENAISSANCE

Located in the Hedong District in Tianjin, this project is a mixed use development comprising residential, commercial and office components with total gross floor area of about 145,000 square metres (1,561,000 square feet).

The construction works of the four residential towers, the commercial complex and the associated car parking spaces have been completed. Most of the residential units and car parking spaces sold have been handed over to the individual purchasers in the first half of 2018. The sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), is continuing steadily and contracts for sale have been secured for some of the shop units. Certain parts of the commercial complex have in the meantime been leased out for rental income. Grand opening of the commercial complex was launched in December 2018.

As the negotiation with the local government over the configuration design of the office space was in smooth progress, the superstructure works of the two office towers have resumed in the second quarter of 2019. The presale programme of the office accommodations is planned to be launched in the fourth quarter of 2019.



Artist impression of the Tianjin Project
– Regal Renaissance



The completed residential towers and
commercial complex of Regal Renaissance



Cat Sky Walk, a shopping street
in Regal Renaissance – Grand opening
in December 2018

Our ESG Approach

Cosmopolitan believes that sustainability is a cornerstone of a successful business. To help in building a sustainable community in which we develop projects and operate businesses, we incorporate sustainable approaches into our day-to-day operations. To implement sustainable practices across our businesses, we maintain a sound corporate governance structure and promulgate policies to ensure that our activities demonstrate a high level of ethics and integrity. We periodically review these policies and practices to see if there is any need to introduce and implement appropriate new measures.



OUR SUSTAINABILITY CORE VALUES AND COMMITMENTS:

- Helping to build an outstanding, environmentally-friendly and sustainable community
- Constructing a superior living space and warm and comfortable homes for our customers
- Creating brand value for the enterprise, steady cash flow and long-term value addition for investors
- Providing appropriate development platforms and professional training to nurture employees teams



CORPORATE GOVERNANCE

Good corporate governance is important to our stakeholders. Cosmopolitan has adopted the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The Board has established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee different functions delegated by the Board. All major policies and practices in relation to management and corporate matters are reviewed by the Board on a regular basis for compliance with stipulated requirements. In addition, new measures are introduced and implemented where appropriate.

Please refer to the Annual Report for more information on our corporate governance and the Board of Directors.

SUSTAINABILITY GOVERNANCE

Over the past few years, sustainability has been a priority in the Group's objectives. The Group consults and shares our sustainability performance with key stakeholders and balances their interests with our common goals.

Our ESG Approach

To enhance the sustainability governance of the Group, we established a sustainability governance framework to manage the sustainability performance of the Group. The Board of Directors oversees the sustainability performance of the Group. The Executive Directors, with the assistance of senior managers from key divisions, are delegated with the responsibilities to implementing the Group's sustainability planning under three major objectives: environmental sustainability, social sustainability and economic sustainability. The sustainability plan will then be executed by different operating divisions of the Group to achieve the goals and priorities set.

STAKEHOLDER ENGAGEMENT

We believe that transparent and regular communications with stakeholders can help to drive Cosmopolitan's growth and improvement. Each of our material subsidiary has developed communication channels with their respective key stakeholder groups, which are reviewed on a regular basis to ensure that the stakeholders' views are collected effectively. The common communication channels for each of the stakeholder group are presented below:

STAKEHOLDER GROUP ENGAGED		METHODS OF ENGAGEMENT
Internal Stakeholders	Management	<ul style="list-style-type: none"> Regular meetings
	General Employees	<ul style="list-style-type: none"> Regular meetings Orientation activities Notice boards Annual appraisal meetings Employee engagement activities
External Stakeholders	Customers	<ul style="list-style-type: none"> Guest satisfaction surveys Corporate website Day-to-day communication with front-line employees Customer feedback mechanism Hotlines
	Investors/Shareholders	<ul style="list-style-type: none"> Analyst briefings Investor meetings General meetings Annual and interim reports Press releases/announcements
	Media	<ul style="list-style-type: none"> Press releases Corporate website
	Industrial Associations	<ul style="list-style-type: none"> Industry forums
	Suppliers/Contractors/ Business Partners	<ul style="list-style-type: none"> Regular meetings Progress meetings

Our ESG Approach

MATERIALITY ASSESSMENT

Cosmopolitan regularly reviews the sustainability issues that are material in our business operations. The outcome of the stakeholder engagement exercise serves as the basis for the materiality assessment and the identification of material sustainability issues.

The following summarises the steps taken in our materiality assessment:

1

IDENTIFYING ESG TOPICS

Background review, including stakeholder interviews, observations during site visits, documentation review, media review and peer analysis, is undertaken to identify possible sustainability issues in Cosmopolitan's business operations.

2

RANKING ESG TOPICS

Stakeholders were invited to rank the identified issues from 1 (not important at all) to 6 (very important) based on their understanding of Cosmopolitan's business operations.

3

VALIDATING RESULTS

The results of materiality assessment were then reviewed and approved by management.

Based on the materiality assessment results, the independent consultant commissioned by the Group identified the following 16 material issues, which are discussed throughout this report:



ENVIRONMENTAL

- Environmental Impact
- Waste Management
- Energy Management
- Greenhouse Gas Emissions
- Emission Reduction



OPERATING PRACTICES

- Anti-corruption
- Product and Service Quality
- Customer Data Protection
- Supply Chain Management
- Customer Health and Safety
- Customer Feedback Mechanism



EMPLOYEES

- Employment Relations
- Employee Retention
- Employee Training and Development
- Occupational Health and Safety
- Labour Standard Compliance

Environmental Responsibility

Environmental responsibility is fundamental for everyone to live and to thrive. We only have one planet, and it is our duty to take care of it.

COMMITMENT TO THE ENVIRONMENT

Cosmopolitan Group recognises the impact of our operation on the environment. Our business activities inevitably add to energy consumption, emissions, water use, waste and noise pollution. Serving as the basic requirements to safeguard environmental quality, we comply with all relevant laws and regulations. Adhering to our environmental policy, we have implemented a number of measures to mitigate our environmental impact. Considering the industry practices and our business operations, we believe that through applying the environmental impact assessment methodology, we can effectively identify the potential impacts of our projects starting from the design phase and can adopt suitable measures during the construction and operation stages to alleviate the adverse effects.

During the reporting period, there were no non-compliance cases regarding air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

ENVIRONMENTAL MANAGEMENT

Cosmopolitan has formulated a group-wide Environmental Policy Statement for all property development projects and construction sites to follow. One of the principal objectives of the stated policy is to deliver quality services with minimal impact on the environment. For this purpose, our policy focuses on the prevention of pollution. We strictly comply with all applicable local legislation and requirements¹ relevant to environmental protection. Keeping our policy up-to-date, we continue to carry out regular performance reviews to ensure environmental objectives and requirements are met. The following sections exhibit our environmental initiatives in energy saving, water management and waste management.

ENERGY AND EMISSIONS

Optimising the energy performance of our business operations and products is our priority. Whether in the construction or operational phase, we strive to apply energy-saving technologies to our projects to curb consumption and emissions.

We adopted a wide range of measures to lower energy consumption and emissions in both the Tianjin Project and the Chengdu Project. During construction, we used LED lighting on our construction sites. The construction materials and component parts certified with Construction Energy Efficiency Performance Labelling Certificates were used with priority. A variety of measures, including the adoption of LED lighting, building automation systems and equipment with energy-saving features, were incorporated to reduce the consumption of energy during the operational phase. Our projects fulfil the Design Standard for Energy Efficiency of Public Buildings and the Design Standard for Energy Efficiency of Residential Buildings of the GuoBiao (GB) Standards.

We also made efforts to minimise our emissions. Dust is a major type of air pollutant generated during construction works. In the Chengdu Project, we monitor dust generation on a real-time basis, allowing us to arrange our construction activities to generate less dust. We also use construction materials which generate less dust. In addition, we apply shade cloth to cover waste to prevent dust from spreading. The construction area is regularly sprayed and vehicles are required to drive through a washing bay before exiting the construction site. These arrangements minimise air-suspended dust, reducing air pollution. Landscaping is also employed to absorb pollutants. For our office operations, we appointed certified personnel to remove volatile organic compounds (VOC) and formaldehyde.

¹ The environmental laws and regulations that might be significant to Cosmopolitan include Environmental Protection Law, Water Pollution Prevention and Control Law, Atmospheric Pollution Prevention and Control Law, the Law on the Prevention and Control of Environment Pollution Caused by Solid Wastes and the Emission Standard of Environment Noise for Boundary of Construction Site of the People's Republic of China.



Environmental Responsibility

Greenhouse gas emissions represent another area of concern but can be lowered through energy reduction and other additional measures. To build low-carbon communities, our properties in Tianjin will be equipped with electric vehicle charging systems and bicycle parking areas, which allow residents to commute via low-carbon options.

WATER MANAGEMENT

We identified water efficiency enhancement opportunities in our operations as a means of water resource management. Similar to our approach to saving energy, our water efficiency enhancement measures begin with our construction activities. The wastewater generated from construction activities is collected, treated and reused on-site where possible.

In addition, considerable amount of water use arises from domestic use by residents such as toilet flushing and washing cars. Therefore, we will reuse unconventional water to reduce our freshwater consumption. In terms of landscaping our properties, we will choose drought-resistant plants and adopt drip irrigation for watering. Ongoing monitoring is essential to assess our environmental performance. As such, we installed water meters which will allow us to review the water consumption on each floor of the buildings and for the entire project. To prevent water leakage, we use corrosion-resistant and durable water pipes. Regular water seepage tests are also conducted.

Another focus of our water management is on the protection of the water resources at source. Understanding that extracting water from the ground may cause severe problems for the nearby environment, we have undertaken groundwater replenishment measures (i.e., recharging the groundwater supplies with treated wastewater) in the Tianjin Project. We use reclaimed water in the property development projects to reduce our dependence on freshwater.

We also take care of wastewater to ensure that discharge will not have negative impacts on the environment. Before discharging effluent into the municipal sewage system, wastewater is collected and handled in an on-site water treatment tank to ensure the effluent quality is up to standard.

WASTE MANAGEMENT

As a responsible property developer, we are aware of the waste generated on-site from construction activities, operational activities and by various types of users. Thus, relevant policies and guidelines have been implemented by relevant functions to achieve waste reduction in our operations. For example, the engineering functions of the Tianjin Project are responsible for the collection, separation and transportation of waste. To assess our environmental performance, we keep track of the amount of waste recycled and disposed of. In addition, we safeguard the environmental quality by using furniture and building materials that are environmentally-friendly.

We prioritise waste avoidance over other waste management methods. Measures for each project or different parts of our operations are assessed on an individual basis. For example, the foundation of Chengdu project substitutes traditional timber formwork by brick formwork to save timber and minimise construction waste generated on site. We strive to use recyclable resources and durable construction materials, including steel, glass and aluminium alloy. During the refurbishment of our office, the office furniture was sent to the construction sites for reuse to reduce wastage.

For waste that cannot be recycled or reused, it is disposed of in a responsible manner. We generate domestic waste, construction waste and sludge in our construction phases. Procedures have been established to effectively handle different types of waste. General waste or municipal waste is gathered and transported from the garbage chambers in every building to designated collection points on a daily basis. Building debris and waste engine oil generated on construction sites are handled by qualified service vendors regularly. Sludge is cleared and sent to landfills regularly.

Environmental Responsibility

NOISE CONTROL

We are dedicated to reducing the impact of noise from our operations through implementing noise mitigation measures. Powered mechanical equipment, machines and vehicles are the major sources of noise pollution in our operations.

Apart from complying with local environmental protection laws and regulations, we put in place a number of noise reduction practices. For example, during the construction phase in the Chengdu Project, we erected noise barriers to reduce the noise level. We placed noise-generating equipment away from nearby residences. Honking and night-time construction works are prohibited. As a best practice, we would reserve a green buffer zone around the construction sites to reduce the environmental impact and, particularly, to block noise transmission to the surroundings when necessary. In the operational phase, water pumps, air-conditioning systems and other fixed noise-generating units are placed underground.

Social Responsibility

COMMITMENT TO OUR COMMUNITY

The Group is engaged in the development of large-scale mixed use projects. We attach importance to the communities where our business operates and actively seek opportunities to offer a helping hand to build a sustainable community. To achieve optimal outcomes in an efficient manner, we identified a few focus areas for our contribution to the community. During the past few years, we sponsored large-scale sports events and community activities with monetary and in-kind donations.

SOCIAL INCLUSION

We embrace inclusiveness and value everyone as an individual, regardless of their background or capability. Everyone should enjoy equality and be respected. In our project design and planning stage, we took into consideration social inclusion as part of the project elements.

For example, in our Chengdu Project, we considered the needs of the disabled when designing the residential towers. Ramps have been constructed for easy access to the residential towers. We hope that through these inclusive designs, the underprivileged and the disabled can also enjoy barrier-free access.



Ramps designed to assist with the disabled access to our residential towers of the Chengdu Project.



The Tianjin Project added elevator button at appropriate height for the disabled.

Economic Responsibility

Business growth and brand reputation are oftentimes driven by quality products and services. With an aim to bringing additional value to our stakeholders, we have put effort into every part of our business to ensure a consistent and fulfilling experience, including providing a fair and equal working environment and employee development, creating wonderful customer experiences and achieving good supply chain management.

COMMITMENT TO OUR EMPLOYEES

Our business success depends on our ability to attract and retain our employees. To achieve this, we have established a fair employment and promotion policy. We ensure our employees' living quality with a solid welfare policy. Occupational health and safety is another safety net to protect our employees. Employees' careers and personal development, as well as their well-being, are as important as the aforementioned aspects.

Legal compliance serves as the basis in our employment practice. We observe material laws and regulations² on employment and labour issues. During the reporting period, there were no non-compliance cases on laws and regulations regarding employment and labour issues, including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, provision of benefits and welfare, safe working environment and child and forced labour.

RECRUITMENT, RETENTION AND BENEFITS

Strictly complying with the recruitment and employment policy, we employ people only with reference to their ability, expertise and experience. An employee's background, age or gender is not a consideration for employment or promotion. To retain talent, we provide competitive remuneration.

In Mainland China, we have also established appropriate welfare policies to motivate our employees. Apart from welfare and benefits that are required by law, we provide monetary rewards on major holidays such as the Mid-Autumn Festival and birthdays. We provide job security insurance for employees as well as occasional leave, including parental leave and wedding leave, where appropriate.

LEARNING AND CAREER DEVELOPMENT

We understand employees are an important asset on which our business success depends. Improving their skills and abilities is mutually beneficial for their future development and our business performance. We provide internal training for employees. They may also take external courses or apply for professional qualifications that are relevant to their profession. Relevant details regarding the approved training courses, types of training applicable and yearly plans are readily accessible by our employees.

In Tianjin, we hired an external agency to provide tailor-made training for our employees. Our training policy also provided guidelines on the procedures, budget and the types of learning and development programmes for all employees. Annual employee training and development plans have been developed for the Tianjin Project to improve training effectiveness.

² The employment and labour laws and regulations that might be significant to Cosmopolitan include Labour Law, Labour Contract Law, Employment Promotion Law and Social Insurance Law of the People's Republic of China and Employment Ordinance (Cap. 57 of the laws of Hong Kong), Sex Discrimination Ordinance (Cap. 480 of the laws of Hong Kong), Disability Discrimination Ordinance (Cap. 487 of the laws of Hong Kong), Family Status Discrimination Ordinance (Cap. 527 of the laws of Hong Kong), Race Discrimination Ordinance (Cap. 602 of the laws of Hong Kong), Occupational Safety and Health Ordinance (Cap. 509 of the laws of Hong Kong), Factories and Industrial Undertakings Ordinance (Cap. 59 of the laws of Hong Kong), Employment of Children Regulations (Cap. 57B of the laws of Hong Kong), Employment of Young Persons (Industry) Regulations (Cap. 57C of the laws of Hong Kong).

Economic Responsibility

EMPLOYEE ENGAGEMENT

We believe that our employees' well-being and physical health are as important as their work performance. Apart from providing necessary medical check-ups to our employees, we organised a variety of activities that cater to different employees' needs and interests throughout the year.

We organised sports activities including badminton and basketball games. Moreover, we also organised birthday parties to celebrate the birthdays of our employees. We believe that these activities are vital for team bonding among our employees. We also provided voluntary service opportunities for our employees to care for the community.

WORKPLACE HEALTH AND SAFETY

The Company is committed to providing a safe and comfortable working environment for our employees. We have established a comprehensive Safety Construction Management Policy and provide various safety training for our employees. To ensure the effectiveness of our health and safety policy, we engage with our contractors through regular communication to discuss issues or risks related to safety.

We strictly adhere to relevant laws and regulations³ on occupational health and safety in Mainland China. During the reporting period, there were no non-compliance cases regarding occupational health and safety in our operations.

The Company understands the importance of occupational health and safety in establishing a comfortable and safe working environment. We have zero tolerance for workplace hazards and strive to eliminate health and safety risks and incidents. We provide training to our workers where possible. Only qualified workers who passed our safety training courses are allowed to work on-site. Safety leaflets are also distributed to workers to remind them to operate vehicles and machines mindfully.

Apart from providing training to our workers, we understand contractors play an important role in maintaining workplace health and safety. In view of this, we engage with our contractors through meetings, workshops, and training. We require our contractors to provide safety training and experience for every new worker, and our work has been recognised by the Ministry of Housing and Urban-Rural Development of the People's Republic of China and the Tianjin Municipal People's Government.

A comprehensive Safety Construction Management Policy was implemented at construction sites in the Chengdu Project and managed by the project manager. We undertake efforts to promote a safe working environment including, for example, placing signs to remind workers to prevent accidents and taking preventive measures to avoid fire and other major hazards. Our fire-prevention system complies with relevant laws in Mainland China and is regularly maintained by qualified professionals. We also undertake active on-site monitoring and implement mitigation measures if deficiencies are discovered to ensure our safety policies are properly followed.



Safety training

³ The occupational health and safety laws and regulations that might be significant to Cosmopolitan include the Law on the Prevention and Control of Occupational Diseases, Work Safety Law, Regulation on Work-Related Injury Insurance and Measures for the Administration of Occupational Health Examination of the People's Republic of China.

Economic Responsibility

COMMITMENT TO OUR CUSTOMERS

The Group is dedicated to building superior living spaces and warm and comfortable homes for our customers. We have formulated policies regarding operating practices to ensure the quality of our products and services. We understand only a healthy and safe living environment can satisfy our customers and we are committed to achieving this. We adhere to relevant laws and regulations⁴ regarding health and safety, advertising, labelling and customer privacy and were not aware of any non-compliance cases during the reporting year.

PRODUCT AND SERVICE QUALITY



Quality inspection



Quality inspection



Inspection by government representatives

To demonstrate our commitment, we strive to assure building quality and prioritise customers' needs. Quality assurance and monitoring systems are put in place at our property development projects. We strictly comply with the Law of the People's Republic of China on Construction and Regulation on the Quality Management of Construction Projects. In addition to product quality, we attach great importance to customers' needs by collecting their feedback regularly. Customer opinions are well addressed and serve as the basis for future improvement.

We adopted a three-pronged quality management approach to ensure building quality. Quality management work is divided into stages, including the pre-construction phase, construction phase and post-construction phase. In the pre-construction phase, we have stringent control over the building plans and construction materials. The building plans are reviewed by architectural and construction experts. Projects can only be carried out when all issues have been addressed. We select construction materials carefully. Steel bars, concrete and cement are crucial to building strength. We require certificates of compliance and assessment reports for these materials to ensure the quality of the building, and thus ensure the safety of the end-users. In the construction phase, we focus our monitoring on the structural work and information management with close monitoring throughout the whole construction process, to ensure that our buildings are completed with optimum quality. The post-construction phase serves as a critical procedure in our quality management approach. A set of criteria is required to be fulfilled in this phase to achieve a high level of safety and quality standards.

Apart from the building quality, premium service quality can further enhance customer satisfaction. This requires ongoing long-term effort. Customer opinions can contribute to our continuous improvement in service quality. We gather feedback from our customers through customer satisfaction surveys where appropriate and possible. This covers a range of aspects including employee attitude, technical skills and professional quality. Key areas for improvement can be identified after analysis of the survey result.

⁴ The product responsibility laws and regulations that might be significant to Cosmopolitan include the Construction Law and Law on the Protection of Consumer Rights and Interests of the People's Republic of China.



Economic Responsibility

ADVERTISEMENT

The Group respects our customers' right to obtain complete and accurate information about the products they purchase. We strictly follow all relevant laws and regulations regarding advertisement. We prohibit our employees from selling in a dishonest and misleading way. Our customers can make informed purchasing decisions without concern only if they can obtain adequate and accurate information on our products. In response to this, our employees are well-trained to advise our potential customers in a professional manner. In addition to sales practice, our marketing materials have been carefully prepared. Information on the marketing materials is stated with accuracy after detailed verification.

For example, in our Chengdu Project, we have a standard selling speech for our salespeople to deliver the selling points of our project. In case of any misconduct found in our salesperson's behaviour, including deviation from our selling speech or inappropriate selling skills, the relevant salesperson will be penalised. Also, during the monitoring process, immediate corrective actions will be taken in case of any inaccuracy or exaggeration discovered. Debriefings at the end of the day will also be given to salespeople to ensure our expectations for selling behaviour are practised.

PROTECTION OF PRIVACY

We place great significance on our customers' right to privacy. We fully comply with the laws and regulations⁵ regarding personal data privacy in Mainland China. Under our data protection policy, all personal data collected is handled with a high level of confidentiality. All our employees are committed to taking privacy issues seriously. Where appropriate, employees are requested to sign a confidentiality agreement stating that they have the legal responsibility to keep information confidential including trade and customer information. Any unauthorised disclosures of such personal information are strictly prohibited.

SUPPLY CHAIN MANAGEMENT

We are committed to adhering to high ethical standards and we also encourage our suppliers and contractors to share this as a common goal. The Company believes that through monitoring and engaging with our supply chain, we can better support and promote the adoption of fair and effective operating practices.

As a company pursuing a fair and competitive environment, we have adopted a holistic approach in which tendering management and decision-making power are decentralised. The internal legal functions of the Chengdu Project are responsible for the efficient and collaborative operation of our purchasing and service delivery. To better manage the interfaces between different levels and groups involved in sustaining the supply chain, duties are clearly segregated and assigned. The cost control functions at different operating levels serve as a good communicator within the management system. All departments work together to oversee the financial policies and maintain a fair, standardised and transparent tendering process.

Throughout the reporting period, we adhere to the core principles of ESG responsibility in our procurement management strategy. All purchasing items are required to be subject to tender invitations in compliance with our policies and procedures. The Company upholds its responsibility in the performance of its contractual obligations and strives to promote a fair and competitive business environment.

⁵ The personal data privacy laws and regulations that might be significant to Cosmopolitan include the Law on Protection of Customer Rights and Interests of the People's Republic of China.

Economic Responsibility

We uphold a high standard of product quality and aim to ensure that the needs of our customers are satisfied efficiently by carrying out responsible screening practices in our supply chain. The Company assures stakeholders that we use qualified suppliers that are licensed by the government and relevant certification bodies.

The performance of contractors and suppliers on sustainability is reviewed periodically and records are kept for future supplier selections in tendering processes. Assessments are conducted by the Engineering Department to ensure their compliance with legislation and guarantee that ongoing projects have high standards in safety and quality. Moreover, we give priority to local enterprises, where possible, to create local employment opportunities and to shorten transportation distances, and thus minimise our environmental footprint.

The quality and integrity of our properties are monitored at all stages of construction to ensure that the raw materials meet the standards on which we have earned our reputation. We maintain effective communication with suppliers and contractors by setting up long-term engagement and supervision systems. Quantitative scoring mechanisms have been adopted for suppliers of the Tianjin Project and for ongoing projects where information is available.

The Company takes a strong stance against corruption and misconduct. We require our suppliers and contractors to sign a “Sunlight Declaration (「陽光宣言」)” to ensure there is no corruption and misconduct in our business operations. Either the target total transaction value or target unit value is set for internal reference before tendering processes to avoid misconduct. A feedback mechanism and a telephone hotline are in place to receive suggestions, complaints and whistleblowing regarding our procurement management. During the reporting period, there were no incidents of corruption related to our supply chain reported which are of material importance.

Alongside our suppliers, customers, investors and employees, we aim to achieve a positive influence on our supply chain with our stakeholders’ support. We seek to engage and build long-term stable cooperative relationships with our suppliers and to create positive environmental and social impacts with respect to ESG performance.

ANTI-CORRUPTION

We set high standards for the integrity of our business operations. With a strong commitment to preventing bribery and corruption, we have established anti-corruption policies in our operations. All of our employees are expected to uphold high standards of honesty and integrity in the performance of their duties in accordance with the provisions set out in the Employee Handbook. We have zero tolerance for violations of the code of conduct and any inappropriate behaviour. All subsidiaries, departments, business units and projects are subject to rigorous control mechanisms.

We strictly follow relevant laws and regulations⁶ regarding ethical business operation. During the reporting period, there were no reported legal cases relating to bribery, extortion, fraud or money laundering in our operations. No legal cases regarding corrupt practices brought against the Group or its employees were recorded in 2018.

⁶ The anti-corruption laws and regulations that might be significant to Cosmopolitan include the Criminal Law of the People’s Republic of China and Prevention of Bribery Ordinance (Cap. 201 of the laws of Hong Kong).

Appendix I – Performance Tables



ENVIRONMENTAL RESPONSIBILITY PERFORMANCE⁷

	UNITS	PERFORMANCE IN 2017	PERFORMANCE IN 2018
Greenhouse gas (GHG) emissions			
Total GHG emissions	tonnes of CO ₂ equivalent (tonnes CO ₂ e)	493	483
Direct GHG emissions (Scope 1) ⁸	tonnes CO ₂ e	0	8
Indirect GHG emissions (Scope 2) ⁹	tonnes CO ₂ e	493	475
GHG emission intensity	kg CO ₂ e/m ²	0.77	0.75
Energy consumption			
Total energy consumption	GJ	2,539	2,482
Electricity	kWh	705,251	661,855
Fuel	GJ	0	99
Energy intensity	GJ/m ²	0.004	0.004
Water consumption			
Total water consumption	m ³	24,520	7,253
Water intensity	m ³ /m ²	0.038	0.011
Waste disposal¹⁰			
Non-hazardous waste disposed	tonnes	N/A	26
Hazardous waste ¹¹ disposed	pieces	N/A	32
Waste recycled			
Metals	kg	N/A	3,500
Glass	kg	N/A	6,800
Paper	kg	N/A	90
Other construction materials	kg	N/A	3,600

⁷ The data covers the operations in Chengdu Project and Tianjin Project.

⁸ Direct GHG emissions generated from fuel consumption.

⁹ Indirect GHG emissions generated from electricity consumption.


¹⁰ We started to collect data on waste disposal and waste recycled in 2018.

¹¹ Hazardous waste includes containers for organic solvents.

Appendix I – Performance Tables


ECONOMIC RESPONSIBILITY PERFORMANCE

EMPLOYMENT PRACTICE



	UNITS	PERFORMANCE IN 2017	PERFORMANCE IN 2018
Total workforce by employment contract			
Permanent	number of people	0	3
Contract	number of people	76	106
Trainee	number of people	0	1
Total workforce	number of people	76	110
Total workforce by gender			
Male	number of people	41	68
Female	number of people	35	42
Total workforce by age group			
Under 25	number of people	0	1
25 – less than 40	number of people	56	61
40 – less than 55	number of people	20	43
55 or above	number of people	0	5
Total workforce by employment category			
Senior management	number of people	6	1
Middle management	number of people	16	30
General employees	number of people	54	79

OCCUPATIONAL HEALTH AND SAFETY



	UNITS	PERFORMANCE IN 2017	PERFORMANCE IN 2018
Total number of work related fatalities	number of people	0	0
Total number of lost day ¹² due to work injuries	number of days	0	0

¹² Lost days refer to sick leave due to all types of work-related injuries.

Appendix I – Performance Tables



DEVELOPMENT AND TRAINING

	UNITS	PERFORMANCE IN 2017	PERFORMANCE IN 2018
Average training hours by gender			
Male	number of hours	11	5
Female	number of hours	10	12
Average training hours by employment category			
Senior management	number of hours	16	0
Middle management	number of hours	18	5
General employees	number of hours	7	9



SUPPLY CHAIN MANAGEMENT

	UNITS	PERFORMANCE IN 2017	PERFORMANCE IN 2018
Number of suppliers by geographical region			
Hong Kong	number of suppliers	0	0
Mainland China	number of suppliers	203	260

Appendix II – The Stock Exchange of Hong Kong Limited's ESG Reporting Guide Content Index



INDICATORS		SECTION/ STATEMENT
<i>A. Environmental</i>		
Aspect A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Management
	KPI A1.1 The types of emissions and respective emissions data.	Environmental Responsibility Performance
	KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Responsibility Performance
	KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Responsibility Performance
	KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Responsibility Performance
	KPI A1.5 Description of measures to mitigate emissions and results achieved.	Energy and Emissions
	KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management



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INDICATORS		SECTION/ STATEMENT
<i>A. Environmental</i>		
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Management
	KPI 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).	Environmental Responsibility Performance
	KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Responsibility Performance
	KPI A2.3 Description of energy use efficiency initiatives and results achieved.	Energy and Emissions
	KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Management
	KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable to the core business of Cosmopolitan
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	Commitment to the Environment; Noise Control
	KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Commitment to the Environment; Noise Control

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INDICATORS		SECTION/ STATEMENT
<i>B. Social</i>		
Employment and Labour Practices		
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Recruitment, Retention and Benefits
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Workplace Health and Safety
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Learning and Career Development
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Commitment to Our Employees Child and forced labour are strictly prohibited in our organisation.



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



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