



BAOYE GROUP COMPANY LIMITED

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

Stock Code: 2355

2019

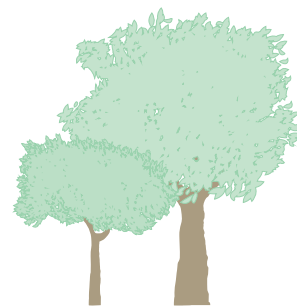
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT







CONTENTS



4	About this Report
6	Chairman's Report
11	Stakeholders Communication
13	Environmental Responsibility
24	Human Resources Management
31	Operation Governance
40	Performance Data Summary
44	Content Index of the Environmental, Social and Governance Report



ABOUT THIS REPORT

This is the fourth Environmental, Social and Governance Report of Baoye Group Company Limited (hereinafter referred to as the “Company” or “Baoye”) and its subsidiaries (hereinafter collectively referred to as the “Group” or “We”), with an aim to present the performance and impact of the Group in respect of environmental, social and governance (“ESG”) issues. For corporate governance, please refer to page 34 in the Annual Report.

This report fairly presents the performance and impact of the Group in relevant respects. The Board of Directors of the Company has reviewed this report and confirmed that the contents are accurate, true and complete.

Reporting Guide and Principles

This report is prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited on the Main Board and in accordance with the actual situation of the Group. This report is prepared based on the reporting principles of materiality, quantitativeness, balance and consistency. For ease of reference, data contained herein is presented on year-on-year basis.

Reporting Period

The reporting period of this report refers to the financial year from January 1, 2019 to December 31, 2019.



Reporting Scope

The information and data of the Company and its major subsidiaries are covered in this report. The Group is improving the collection of data and text information and will continue to enlarge the scope of disclosure.



Feedback

We are committed to further refining the content and format of the report with an aim to provide comprehensive and accurate information regarding ESG to stakeholders. The English language and Chinese language versions of this report are being published. In case of any discrepancies between the English version and Chinese version of this report, the Chinese language version shall prevail. Should you have any enquiry or suggestion, please feel free to contact the Company via:

Investor Relation Department

Tel: **86-575-84135837**

Fax: **86-575-84118792**

Email: **irbaoye@baoyegroup.com**

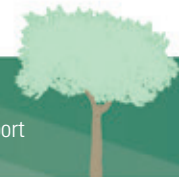
CHAIRMAN'S REPORT

Dear Stakeholders,

On behalf of the Board of Directors, I am pleased to present the fourth Environmental, Social and Governance Report of the Group to provide a full picture of the operation of the Company and its impacts on the environment and community.

In face of the increasing risks and challenges in the complicated domestic and overseas environment, the Group adheres to the belief that "Baoye built quality housing". The Group focuses on the development of its business in the real estate industry and is committed to delivering comfortable, energy-saving and environmental-friendly hi-tech houses. We understand that our development has impacts on the environment and community and we need the support of all stakeholders. As such, we proactively perform our responsibilities towards the environment and community as a corporate by promoting the standardization of construction in an innovative manner for quality improvement. We also care for and work hand in hand with our employees for our sustainable development.





“ PERFORMING RESPONSIBILITIES towards Environment by GREEN CONSTRUCTION ”

Endorsing the initiatives of the government and following the market trend, we applied the construction standardization technologies in our construction and property development businesses. Our green construction system has been further developed through the application of prefabricated concrete components and steel structures in construction. We design our construction projects with environmental protection concepts through conservation of resources and application of environmental-friendly materials. We also promote the development of green construction by participating in the formulation of industry standards.

We realize that the operation of the Group has negative impact on the environment, including emission, sewage and high consumption of energy and water. We have already various measures to save energy and water and reduce emission, so as to minimize the impact on the environment.



"COMMITTING to compliance operation and encouraging innovation and QUALITY DEVELOPMENT"

We have been advocating and adhering to "spirit of artisans of Baoye". To ensure the compliance of our operation, we adopt delicacy management in the whole process of project management through allocation of responsibilities, setting up quality standards and assessment process. Innovation and quality improvement are the goals of all industries. The Group encourages internal research and innovation by granting cash award for technology innovation and patents of construction methods. During the reporting period, we were highly recognized by our peers and government and won six Luban Awards in 2019, the highest number of Luban Awards in a year since the inception of the Group. We have won a total of 30 Luban Awards. We regard the awards as an encouragement to strive for international advanced level and put great efforts in delivering high-quality construction projects.



"CARING for our Employees and Creating Warm Working ENVIRONMENT"

We recognize and value the contribution of our employees. We also care for our employees. To ensure a fair, warm and encouraging working environment and provide our employees with opportunities to achieve career development and satisfaction, we have further optimized our human resources management system and process. Having considered the characteristics of our business, we place great emphasis on the health and safety of our employees. We adhere to the policy of "Safety First" to prevent accidents. Safety production measures are in place to ensure the safety of employees in operation as practical as possible.



" EXPRESSING GRATITUDE and Giving Back to the Community by PERFORMING SOCIAL RESPONSIBILITIES "

As an enterprise that realizes the importance to be grateful, the Group actively participates in charity activities so as to give back to the community. In 2019, we focused on poverty alleviation and assisted in local development. In addition, we also put emphasis on helping groups in need. We proactively performed the social responsibilities of a corporate through donation and support to the elderly and children and unprivileged groups.

In the future, we will maintain active communication with stakeholders to understand their concerns. We will also enhance our sustainable development through various ways, including system improvement, operation management and situation review. We would like to sincerely express our gratitude to all stakeholders for their long-term supports and understanding. We will strive for creating sustainable value for our stakeholders.

Mr. Pang Baogen

Chairman of the Board

Baoye Group Company Limited*

March 31, 2020





STAKEHOLDERS COMMUNICATION

The Group places great emphasis on the communication with its stakeholders. Through listening to their complaints and needs, we can understand their concerns on ESG issues, which can serve as guidance and reference for the formulation of measures in respect of environmental, social and governance issues of the Group. We communicate with internal and external stakeholders through the following channels:

Major stakeholders	Communication channels	ESG issues concerned	Related sections
Employees	<ul style="list-style-type: none"> — Regular and irregular employee talks — Employee training and workshops — Employee activities 	<ul style="list-style-type: none"> — Career development and training — Occupational health and safety — Employee benefits — Remuneration 	Employee Care
Customers	<ul style="list-style-type: none"> — Customer complaints system — Customer satisfaction survey 	<ul style="list-style-type: none"> — Customer satisfaction — Product health and safety — Product quality management 	Compliance Operation
Suppliers/Contractors	<ul style="list-style-type: none"> — Communication by email — Interviews by telephone — On-site investigation 	<ul style="list-style-type: none"> — Suppliers management — Contractors management 	Compliance Operation
Investors/Shareholders	<ul style="list-style-type: none"> — Shareholders' general meetings — Information disclosure — Interim and annual results conferences, and other activities 	<ul style="list-style-type: none"> — Corporate governance — Business operation 	Compliance Operation
The Public	<ul style="list-style-type: none"> — Community participation — Charity donation 	<ul style="list-style-type: none"> — Charity and volunteer activities — Ecology and environment protection 	Community Engagement Environmental Responsibilities
Media	<ul style="list-style-type: none"> — Press conferences — Communication by email — Interviews by telephone 	<ul style="list-style-type: none"> — Corporate governance — Business operation — Charity and public benefit activities 	Compliance Operation Community Engagement
Governments and regulatory agencies	<ul style="list-style-type: none"> — Government conferences — Reporting to relevant departments — Receipt of supervision 	<ul style="list-style-type: none"> — Corporate governance — Compliance operation — Employee protection 	Compliance Operation Employee Care



ENVIRONMENTAL RESPONSIBILITIES





The Group is committed to green construction, energy saving and emission reduction. We seek to reduce the impacts of our operation on the environment through the development of green construction.



ENVIRONMENTAL MANAGEMENT SYSTEM

To save land resources, energy, materials and to protect the environment, the Group has established an environment management system under the management of the Project Department in efforts to create a resources conservation and environmental-friendly community.

The Group is in strict compliance with the relevant laws and regulations¹. We have issued Civilised Construction and Environmental Protection, Project Green Construction Management System and other management regulations to maximise the conservation of resources and energy efficiency and to minimize the impacts of our operation on the environment. During the reporting period, the Group is not aware of any material violation of laws and regulations by emission, discharge of sewage as well as hazardous and non-hazardous wastes by the Group.

Organisation	Planning	Implementation	Assessment
Establishment of a green construction team to oversee all green construction projects	Coordination of green construction to achieve management targets and to determine necessary measures	Implementation of green construction projects and continuous improvement through self-evaluation	Periodic progress assessment and acceptance of completion
			

Management of Green Construction

DEALING WITH ENVIRONMENTAL INCIDENTS

We have issued Guidelines on Responses to Production Incident to deal with pollution incidents such as accidental water pollution and air pollution. The guidelines specify the responsibilities of the emergency team and set out the procedures of communication, situation control, tracing of pollutants, investigation and logistics in details. The guidelines are reviewed regularly while exercise and drill are conducted at least once a year to modify our measures for faster and better response.



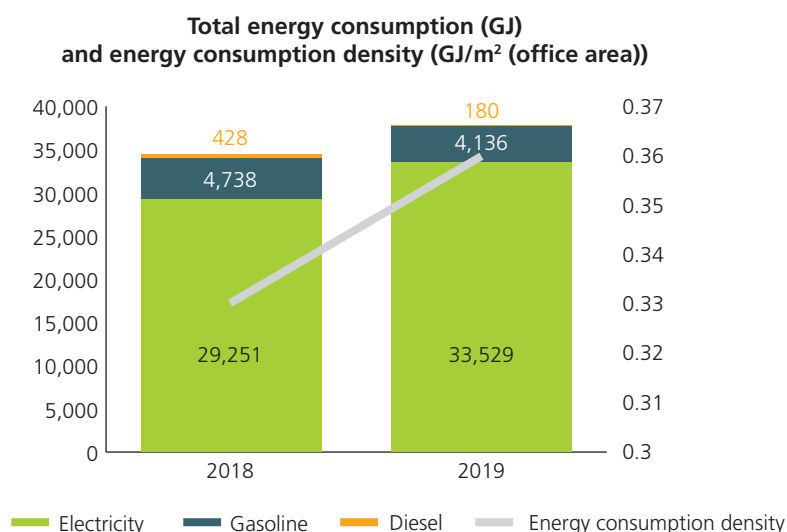
Action plan of environmental incidents

¹ Please refer to the chapter Laws and Regulations in this report

CONSERVATION OF RESOURCES

Energy consumption

The energy consumed in the operation of the Group include electricity, gasoline and diesel. During the reporting period, the total energy consumption of the Group and energy consumption intensity amounted to 37,848GJ and 0.33GJ/m² (office area), representing increases of 10% and 9% as compared to 2018, respectively.



Energy saving management and measures

The Group has established the Energy Saving and Energy Consumption Control System to provide guidance on energy consumption management, covering the areas of selection and use of equipment, construction planning and construction site management. In addition, we have determined electricity consumption indices for production, living, office activities and equipment at construction sites for review and analysis. Remedial measures will be taken to maximize the effect of energy saving, when necessary.

The electricity generated by the solar PV power generation system of the research and development building exceeded the consumption of the building and surplus electricity was sold to national power grid. In 2019, a total of 63,778 KWh was generated.

Selection and use of equipment	Construction planning	Site management
<ul style="list-style-type: none"> energy saving and environmental-friendly equipment and machines will have higher priority in selection energy and oil consumptions of equipment are monitored as indications for repair and maintenance 	<ul style="list-style-type: none"> proper planning to optimise the utilisation of equipment and machines use of technology of lower energy consumption as far as practicable specific energy saving measures for high energy consumption process 	<ul style="list-style-type: none"> reasonably determine the direction of and distance between temporary structures (i.e. production, living and office areas) to maximise natural lighting and ventilation control of daily electricity consumption in dormitory

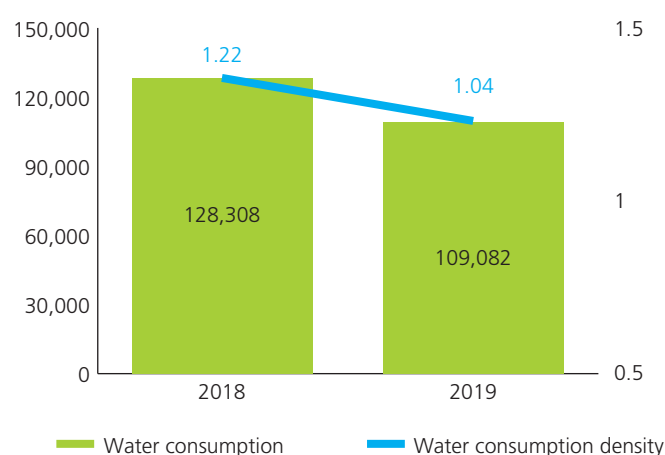
Energy saving measures



Water consumption

During the reporting period, total water consumption and water consumption density of the Group were 109,082 tonnes and 1.04 tonnes per square meter (office area), respectively, representing a decrease of 15% when compared with 2018, respectively. The Group had no problem in the supply of water.

Total water consumption (tonne) and water consumption density (tonne per square meter (office area))



* the figures of water consumption in 2018 have been revised

Water consumption management and measures

The Group has issued the Water Saving and Management of Use of Water which set out various water saving measures. Water saving benchmarks are included as part of a outsourcing contract and a labor contract as measurements of performance. Water consumption is generally adopted as part of our daily operation.



Water saving

- application of advanced water saving technology
- use water saving system and devices
- adoption of water saving markings



Recycling of water

- use of water recycling facilities
- storage of rainwater



Water saving targets

- to measure and manage the use of water in living and production activities by setting up water saving benchmarks
- to include water saving benchmarks in contract
- to increase the use of water from non-traditional sources and the use of recycled water in production to more than 40%

Water saving measures

GREEN OFFICE

We advocate the green office concept and adopt a modern office working environment for resources conservation. Our staff are encouraged to practice the green office concept by saving resources in daily operation. We have issued the Management of Consumption of Office Consumables and have introduced an office items recycling plan. All departments are strictly required to conserve resources in order to protect the environment.



Power saving

- natural lighting is used as far as practicable
- LED lighting is used in some office buildings
- air-conditioned room temperature is maintained at optimal levels



Paper conservation

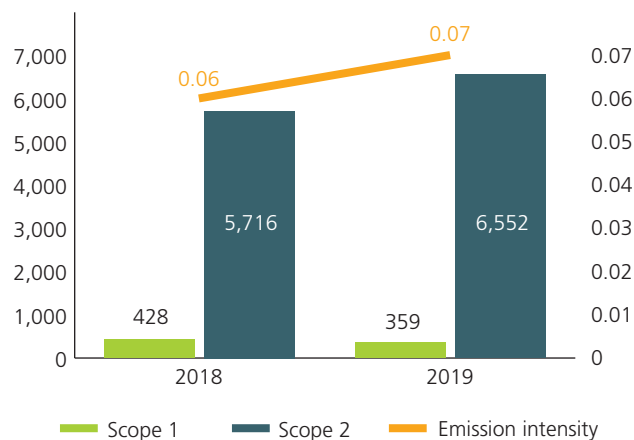
- centralised procurement, allocation and recycling of office papers
- both sides of copy papers are used
- use of recycled papers

EMISSION CONTROL

Greenhouse gas

The greenhouse gas emission generated by the Group include the direct emission from vehicles (scope 1) and indirect emission (scope 2) from the generation of electricity used by the Group. During the reporting period, the total greenhouse gas emission and emission intensity were 6,911 tCO₂e and 0.07 tCO₂e/m² (office area), representing increases of 12% and 10% as compared to 2018, respectively.

Total greenhouse gas emission (tCO₂e) and emission intensity (tCO₂e/m² (office area))





Composition of emission

Nitrogen oxides (NOx), sulfur oxides (SOx) and particulate matter (PM) are generated from the combustion of fuel by vehicles used in the operation of the Group. During the reporting period, the NOx, SOx and PM generated by the Group were 125 tonnes, 2 tonnes and 9 tonnes, respectively.

Composition of emission (tonne)	2019	2018	Change (%)
NOx	125	145	-14%
SOx	2	2	0%
PM	9	12	-25%

* 2018 figures have been adjusted

To reduce toxic gases and dust, the Group has issued the Administrative Measures for Control of Toxic Gases Emission and Administrative Measures for Control of Dust to effectively control the emission and dust generated in operation and to ensure that the emission of vehicles and equipment complies with national and local standards.



Emission of hazardous gases

- Burning any kind of waste in construction sites is strictly prohibited
- Coal is not allowed to be used as fuel at construction sites
- Emissions from vehicles and machines shall comply with the emission standards
- Welding fume shall comply with the General Emission Standard of Air Pollutants (GB16297)



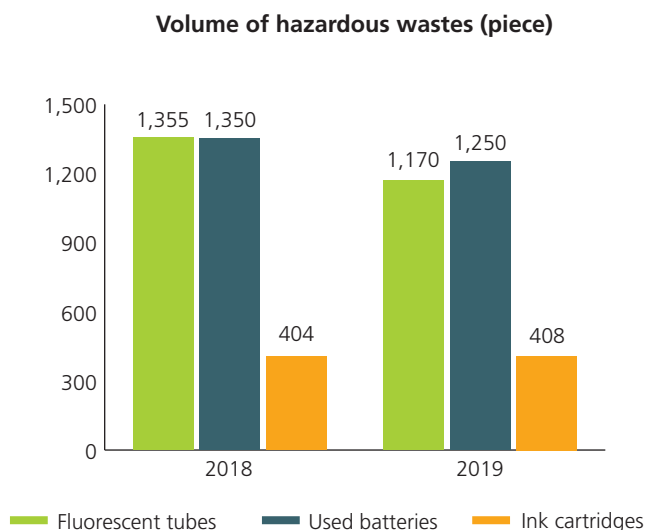
Dust pollution

- Open sites and mounds should be covered, solidified or planted
- Materials of extreme light weight, small particles and bulk materials shall be stored in enclosed places
- Dust control at construction sites by spraying water
- The suspension of dust is limited to a certain height

Air pollution control measures

WASTES

During the reporting period, the hazardous wastes generated from the operation of the Group include fluorescent tubes, used batteries and ink cartridges while non-hazardous wastes were mainly papers with a total of 448 boxes, representing an increase of 6 boxes when compared with 2018. The hazardous wastes generated by the Group for the last two years were as follows:



We have established a system for the Management of Solid Wastes from Construction which specifies the storage, classification for recycling of solid wastes from construction. Hazardous wastes shall be disposed of properly and non-hazardous wastes shall be collected for recycle. To minimize the generation and impact of solid wastes from construction on the environment, we have determined the recycling and re-collection rates of the wastes.



Disposal of hazardous wastes

- separately storage and wrapped up
- to be handled by parties qualified for disposal of hazardous matters
- hazardous wastes are prohibited from being used as landfill materials
- toxic and hazardous wastes must be entirely collected



Disposal of general wastes

- storage at specified places by classification
- construction wastes shall be delivered to collection points appointed by urban services department
- living wastes shall be collected by environmental protection department for disposal
- not less than 40% construction wastes should be recycled

Disposal of solid wastes




SEWAGE

Sewage from construction and daily living without treatment may have impact on the environment. Sewage discharged at construction sites have to comply with national Sewage Discharge Standards (GB8978). PH value is tested regularly to ensure that the PH values of rainwater and sewage are maintained at optimal levels. In addition, to minimize the pollutant in the sewage, oil and chemical solvent are not allowed to be discharged to the drainage system. Water used in construction must be collected for precipitation or other treatment before discharge. No statistics of sewage will be released as the Group did not record the discharge and collection of sewage.

NOISE

We understand that the noise from machines at construction sites will be nuisances of the environment. In this regard, the Group has establish a Noise Pollution Management System to regulate the noise level at construction sites. The Group has relevant noise reduction measures in place to reduce the impact of noise on the environment.

- | | | |
|--|--|--|
| • noise level at construction sites shall be lower than the national standards | • noise level at construction sites shall be measured and recorded regularly | • maximum noise levels at day and night are determined to minimize the nuisance of noise |
|--|--|--|
-
- 
- | | | |
|---|---|--|
| • machines of low noise and vibration are preferred | • noise absorption devices are used to reduce the noise of certain machines | • drivers are not allowed to use vehicle horns at construction sites |
|---|---|--|

Noise reduction measures

GREEN CONSTRUCTION

It is the objective of the Group to implement the green construction concept through innovation and open-minded architectural design. The Group has been changing the traditional methods of construction to comply with the requirement of functionality, safety and environment protection. Pre-fabrication concrete components and steel structures are widely used in construction to promote innovative green construction. The green construction methods currently used by the Group mainly include light weight steel structures and pre-fabrication concrete components which are environmental-friendly, safe and reliable with controllable costs and can be widely used in the construction of shopping malls, hotels and office buildings.



Light weight steel structures

- **Low carbon footprint**
Saving of materials, water and energy by 20%, 60% and 63%, respectively and reduction of carbon footprint by more than 70%; 60% of construction materials can be recycled
- **Safe and durable**
Construction materials have passed durability tests of freezing, salt spray and wearing; steel materials are produced by using electrophoresis technology and have useful life of 100 years
- **Healthy and comfortable**
Environmental-friendly materials and ventilation systems are used in construction. Floor heating and same floor drainage technologies are also used



Pre-fabrication concrete components

- **Low carbon footprint**
Saving of water, wood and material by 60%, 80% and 20%, respectively and reduction of construction wastes and energy consumption by approximately 70% and more than 70%, respectively
- **Safe and reliable**
Factory production for fabrication at construction sites
- **Healthy and comfortable**
Environmental-friendly materials and new construction technologies are used



Green construction awards

Our advanced green construction technologies are highly recognized internationally. During the reporting periods, Shanghai Baoye Centre was awarded a Platinum Certificate of Leadership in Energy and Environmental Design: Operation and Maintenance (LEED O+M for existing buildings) by U.S. Green Building Council, the highest awards of the assessment system, to recognize the efforts of the Group in green construction.



Platinum Certificate of Leadership in Energy and Environmental Design: Operation and Maintenance (LEED O+M)

Case study

Shanghai Baoye Centre

Highlights: low carbon footprint, 3-dimensional transportation and rooftop plantation



Recognitions and awards:

- LEED O+M for existing buildings Platinum Certificate
- US LEED CS Gold Certificate
- US AAP Building Design General Award
- China Green Building 3-Star Design
- Best project by Archilovers
- World Building Award
- I-Ding International Design Award
- US Annual Best Design Award of 2018



Qingpu: Baoye I DO

Highlights: Pre-fabrication building with industrial internal design



Recognitions and awards:

- Healthy Building Design Label
- China Green Building 2-Star Design Label WELL Healthy Building Certificate

Promotion of green construction

The prospects of the industrialization construction market in China is promising. Policy documents of national and local governments have been issued for the promotion of industrialization of construction. The Group has been working for the transformation of the traditional construction industry by participating in the formulation of national standards of the industrialization construction. By now we have participated in the preparation of Technology Standards of Fabrication Concrete Construction of China (國家《裝配式混凝土建築技術標準》), Construction of Laminated Shear Wall Technology of Shanghai (上海《裝配整體式疊合剪力牆結構技術規程》), Production Technology of Laminated Concrete Shear Wall of Zhejiang (浙江《疊合板式混凝土剪力牆結構技術流程》) and Construction and Inspection of Fabrication Concrete Building of Anhui (安徽《裝配整體式混凝土結構工程施工及驗收流程》).

Protection and restoration of ecosystem and land

The operation and development of the Group have impact on the land and natural environment, such as removal of vegetation, excavation of land and possible soil loss. In this regards, the Group has established Land Preservation and Protection of Construction Sites System as well as the Land Protection System and has adopted effective measures to protect the land and the ecosystem nearby.

- land survey before construction for preparation of effective measures for protection and restoration
- minimize land excavation for maximized reduction of impact on land
- unused land, instead of farmland and cultivated land, shall be used for temporary construction as far as possible
- circular roads shall be built at construction site to minimize the area of roads
- restoration and plantation of the sites after completion of construction



Land protection measures

EMPLOYEE CARE



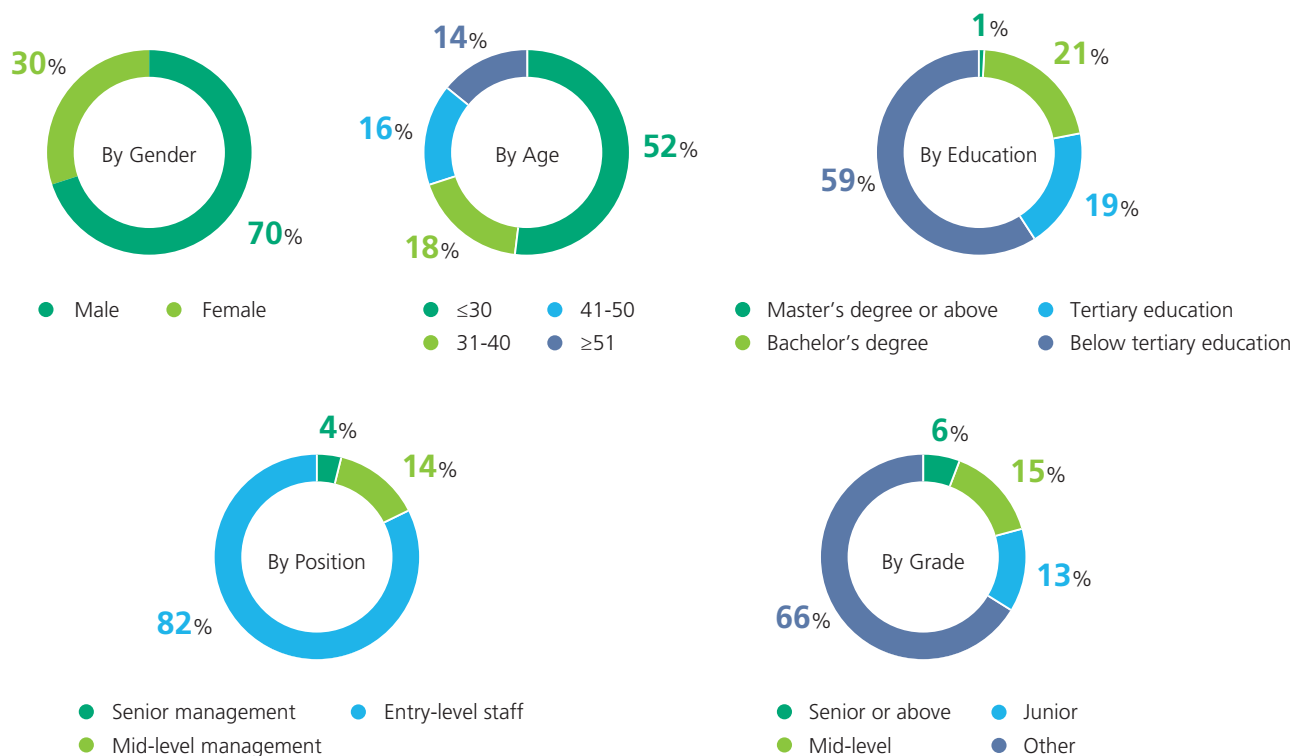
Human resources are the most valuable asset of a company. The Group respects and cares for each employee. It provides development and promotion opportunities to its employees in an effort to strive for mutual development between the Group and its employees.



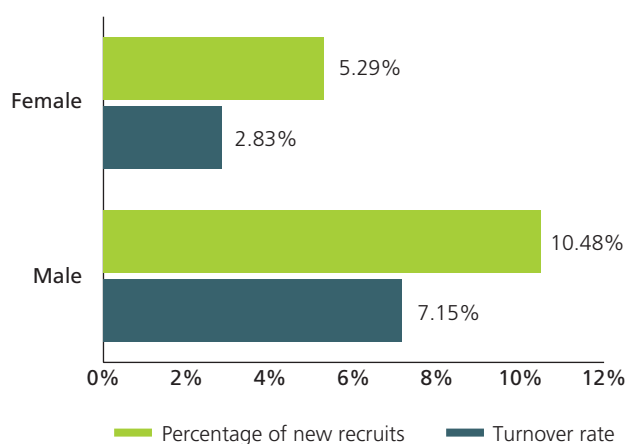
HUMAN RESOURCES MANAGEMENT

COMPOSITION OF EMPLOYEES

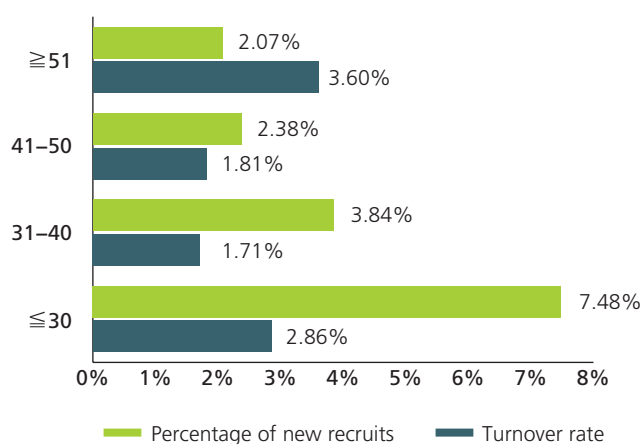
As of December 31, 2019, the Group had a total of 5,801 employees, the majority of them are male. Employees aged below 40 and the management accounted for 70% and 18% of the total number of employees, respectively. For detailed information of the employees, see the table of "Employee Summary".



Turnover rate and percentage of new recruits by gender



Turnover rate and percentage of new recruits by age





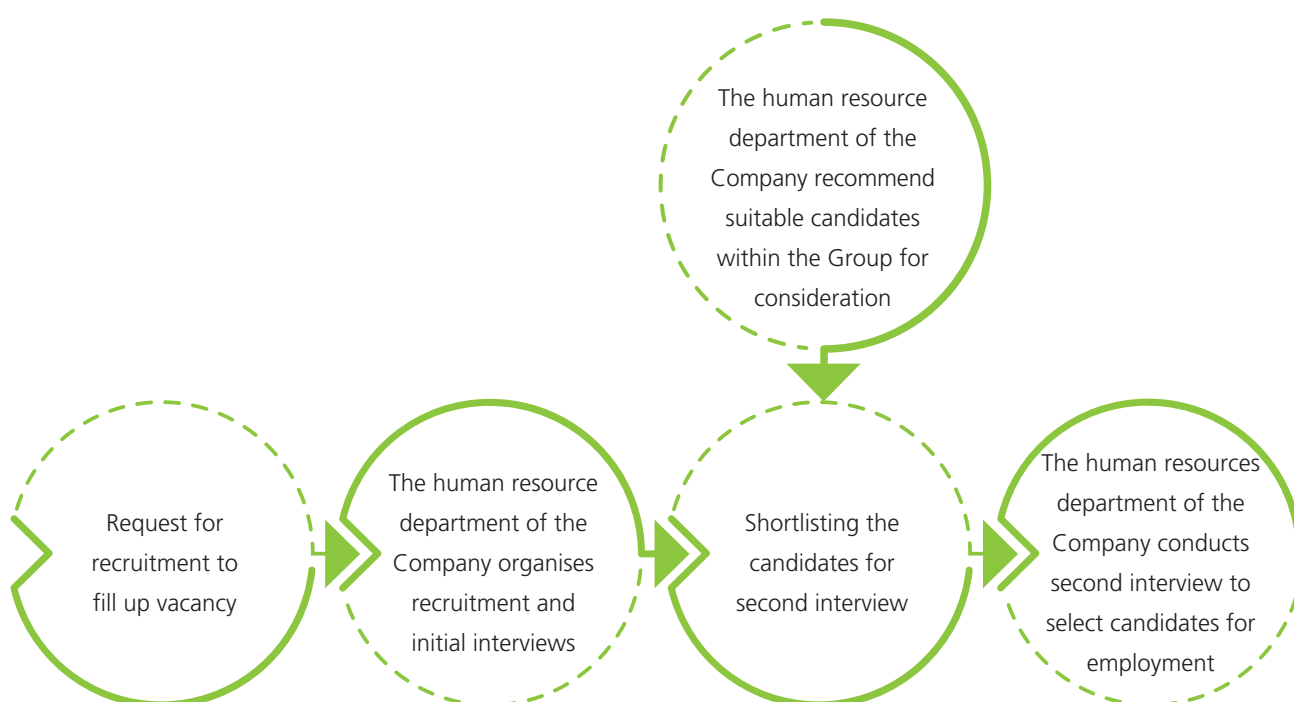
HUMAN RESOURCES MANAGEMENT

The Group believes that human resources are essential to its development and attaches great importance to human resources management. It has strictly complied with the relevant laws and regulations² and formulated comprehensive human resources management framework and rules.

During the reporting period, the Group was not aware of any violations regarding remuneration, dismissal, recruitment and promotion, working hours, leaves, equal opportunities, anti-discrimination and other welfare and benefits as well as laws and regulations that are material to the Group. It was not subject to material penalty due to violation of any relevant labor laws.

Recruitment

Adhering to the recruiting principle of “prudent deployment of posts and manpower”, the Group conducts recruitment through interview and assessment and hires the candidates with best abilities. In the event of vacancies, the Group prefers internal promotion than external recruitment in order to increase the development opportunities of its existing employees. In an effort to vitalize our team of talents, we duly organize campus recruitment and attract more outstanding graduates with bachelor’s degree or above for specific training and building up talent pool.



Process of recruitment

We have an internship-employment platform to provide undergraduate students with opportunities to practise what they have learned. For undergraduate interns, we provide internship subsidies for their contribution. During the reporting period, we cooperated with Zhejiang Gongshang University to establish an internship-employment base to develop a talent pool through a comprehensive channel from internship to employment.



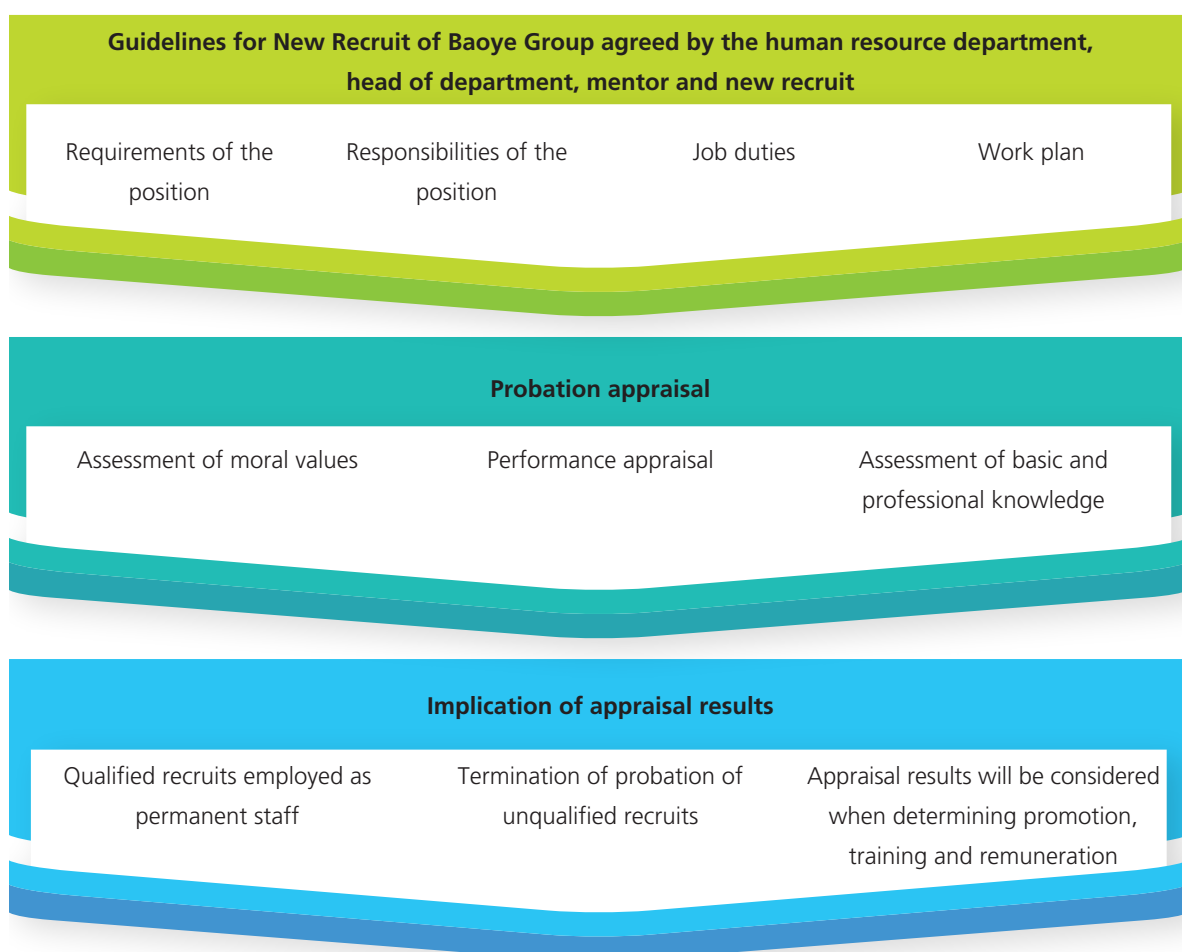
² See the section headed *Laws and Regulations* for details of the relevant laws and regulations of employment

Rights and Benefits

The Group has various working arrangements, including the total working hours, irregular working hours and other working schedules, and reasonably rearranges working hours when necessary for production and management purposes. Overtime work, if approved, will be compensated by time off (ad-hoc or by roster) or overtime allowance. In addition to marriage leave, maternity leave, sick leave and annual leave, our employees also enjoy a comprehensive welfare system comprising of statutory benefits, such as social insurance, and various other benefits, such as year-end bonus and contract gratuity.

Remuneration and Appraisal

Employees are fairly compensated to reward their contribution to the Group. Payment is made on time for the interests of employees. The Group assesses the performance of employees regularly and motivates them for further improvement. We use target evaluation for existing employees. Employees will draw up personal working targets and plans at the beginning of a year, which will be subject to a half year view or a final review at the end of the year to evaluate the work progress and performance of the employees. Performance appraisal of employees during the probation and the implication of appraisal results are as follows:





Child labor and forced labor management

The Group strictly complies with relevant laws and regulations³. Employment of a person under 16 as well as those prohibited by laws and regulations is strictly forbidden. When recruiting new employees, the Group will check the applicants' documents such as identity cards and household register to ensure that they have reached legal working age. During probation, employees are allowed to terminate their labor contracts by submitting a written notice of at least 3 days in advance to confirm that they work of their own accord.

During reporting period, the Group was not aware of any violations regarding employment of child labor and forced labor as well as laws and regulations that are material to the Group. The Group was also not aware of any child labor or forced labor.

Staff activities

We pay close attention to the working attitude and spirit of our employees. The Company organized various activities to maintain effective communication and friendly relationship with our employees as well as the work-life balance of employees. During the reporting period, Pang Baogen, Chairman of the Group, met with 50 employees having more than 15 years of working experience as well as model and outstanding party members to discuss topics including Baoye's endeavour to create returns for its employees, centralization of management as well as promotion of staff morale. The employees' sense of honor, belonging and achievement were significantly enhanced through the meetings. In addition, during the year, we organized the first Baoye Five-Star 3A Cross-country Marathon and encouraged our employees and their families to participate for fun.

Occupational health and safety

The Group values the occupational health and safety of its employees and strictly complies with relevant laws and regulations⁴. The Group has a number of policies covering the safety management at construction sites and health and safety of employees. The Group has adhered to a people-oriented principle of "comprehensive management with focus on prevention to ensure safety" and actively implements the accountability mechanism for safety management. Groups or individuals who have made outstanding contributions to production safety will be awarded while rule breakers will be penalized.

³ See the section headed *Laws and Regulations* for details of the relevant laws and regulations of child labor and forced labor management

⁴ See the section headed *Laws and Regulations* for details of the relevant laws and regulations of health and safety

Production safety

We are fully aware of the potential dangers at construction sites, such as accidents during work at height, deep excavations and machine operation. Through the introduction of construction plans and the standardization of safety practice, monitoring, emergency plans and emergency rescue to control and manage the dangers.

We have also set up a production safety team responsible for safe production education and formulating safe production rules and procedures. We have a full-time safe production officer to review and promote safe production experiences. During the reporting period, 1,927 employees took part in the safety training with a total of 9,419 training hours. During the reporting period, the Group was not aware of any violations of the laws and regulations regarding work safety and occupational danger that are material to the Group, and there was no incident of work-related death or occupational disease.

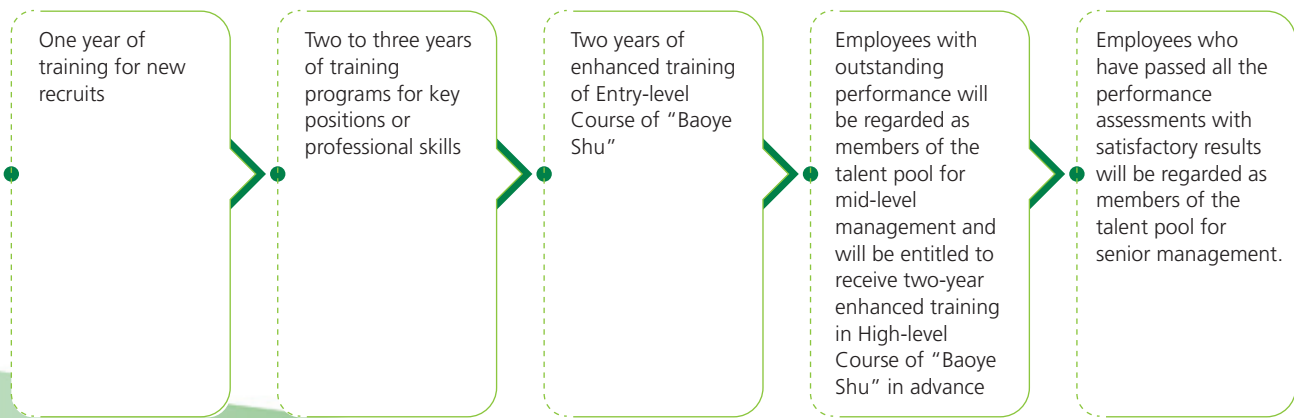
Case: On November 19 and 23, Pang Baogen, our Chairman, carried out ad hoc inspections of production safety of certain subsidiaries and examined their safe production procedures, including equipment operation, fire fighting facilities, environmental protection facilities and operation management. Specific rectification requirements for safety and quality issues found during the examinations were raised to further enhance the safety awareness and the sense of responsibility of all employees.

Occupational health

We attach high importance to the health of our employees and require employees to take medical examination before employment. We have formulated the Occupational Health and Sanitation Management System to prevent, control and eliminate occupational disease. The project department is responsible for supervising the proper use of occupational disease protection facilities and personal occupational disease protection equipment at construction sites. Employees who are vulnerable to occupational disease shall not be allowed to engage in operations with occupational disease hazards. For operations with occupational hazards, the project department shall promptly review and implement protective measures such as ventilation and isolation, and set up prominent warning signs to alert the operators. In addition, we conduct training and assessment on occupational disease hazard prevention and control annually to ensure that all employees have the skills to prevent and control occupational disease hazards.

Development and Training

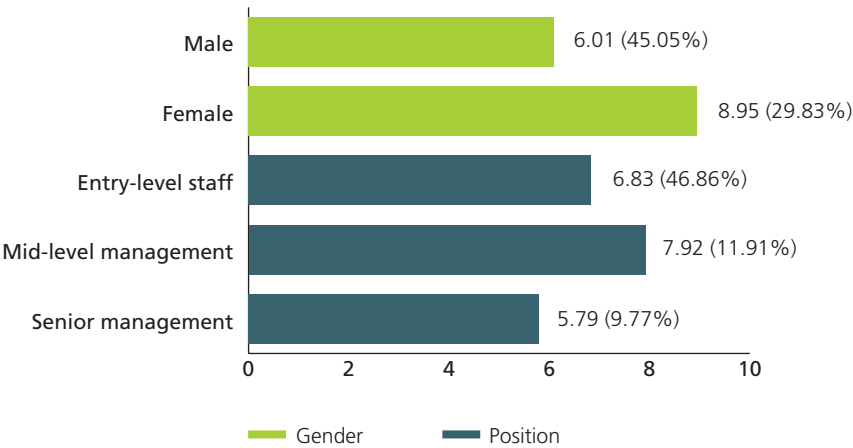
The Group continuously improves its training system and provides employees with abundant training and development opportunities. Qualified employees recruited through interviews are required to receive follow-up training programmes organized by the human resources department of the Company, and employees with excellent performance will have the opportunity to be promoted to the management level.



Talent training and development process

In order to encourage employees to enhance their abilities, the Group has formulated corresponding incentive policies to award employees who have obtained certificates for senior and above skills (such as steel and other skilled workers) or practicing certificates of special types of work (such as welders) and job-related certificates (such as construction workers and quality management personnel). In addition, we carried out various training programs based on the development needs and training requirements of the Group to assist our employees in developing their skills and realize value-added human resources. In order to train our employees into workers with enthusiasm and ingenuity, we organized various training programs during the reporting period to enhance the capabilities of our staff through active learning and participation and to realize mutual development of our employees and the Group. During the reporting period, a total of 2,351 employees participated in the trainings, accounting for 40.53% of total employees of the Group, with an average of 6.94 training hours per employee.

Average training hours per employee by gender and position (Unit: hour)



* Data in the brackets represents percentage of trained employees of the corresponding category



Skill training for administrative staff



Special training on finance and audit



Skill training for entry-level employees



High-quality development training

Training activities



COMPLIANCE OPERATION

The Group continuously improves the quality management system, encourages innovation and quality enhancement, and maintains a sustainable supply chain, striving to provide quality products and services for customer satisfaction.





Sustainable Supply Chain

Understanding the importance of reliable and outstanding suppliers and contractors in achieving long-term stable development, the Group constantly optimizes supply chain management and standardizes the criteria for selection of qualified suppliers and outstanding contractors, in order to establish a sustainable supply chain.

Management of Material Suppliers

In order to further improve the management of suppliers, we issued the Management of Qualified Suppliers during the reporting period. A special inspection and evaluating unit was set up for assessing the suppliers, examination of the unreliable supplier blacklist and daily management of supply chain. We will further improve the rules of assessment based on rating indicators. In respect of suppliers having serious accidents and violation, we do not tolerate and put them on the blacklist for circulation within the Group. Extremely serious incidents will be referred to the authorities for action. We also keep close contacts with our suppliers. Through telephone interviews and on-site inspections, we understand the performance of suppliers on ESG issues and ensure their performance of social and environmental responsibilities.

Bidding platform:

Search for compliant suppliers by inviting tender on the WeChat bidding and procurement platform

List of suppliers:

Choose suppliers from the list of accepted suppliers

Basis of selection:

Select suppliers through comparison and on the basis of market information

Blacklist of unreliable suppliers:

Posting of the black list on the bidding and procurement platform of Baoye Group

Evaluation criteria:

Quality, safety, price, schedule, after-sales service and compatibility

Information sharing:

Sharing of information through the communication system of the Group



Management of suppliers

Management of Contractors

Under the principles of openness, fairness, impartiality and integrity, we have a Project Master Contract and Sub-Contract Bidding Management System (《項目總(分)包招投標管理制度》), which specifies the responsibilities of all entities under the contractor and the procedures and standards of selection of qualified contractor. We require at least three tenders from independent parties to ensure sufficient competition. Through the establishment of a list of qualified contractors and company database, contractors are classified into different categories for management. Contractors of higher quality rating and longer cooperation history are given higher priority in selection of tenders.

	Compliant operation and regulated management
	Strong technical capabilities and capital strength to meet the requirement of the construction projects
	Good records of contract performance, integrity and reputation
	No major incident in relation to quality and safety in the last three years
	No litigation with the Group, fraud, bribery, bid-rigging and other violation in the last three years
Criteria of qualified contractors	

PRODUCT LIABILITY

The Group recognizes that quality products and services are the foundation of stable development of a company. In addition to strict compliance with relevant laws and regulations⁵, we have also formulated the comprehensive Evaluation of Project Quality Management and Performance Appraisal (《工程質量管理制度及責任考核辦法》) to regulate and standardize project quality management. We encourages innovation and quality enhancement of projects, and strives for quality construction to satisfy customers, achieving a rapid development from construction to fabrication. During the reporting period, the Group was not aware of any violation of laws and regulations regarding health and safety, advertising, labelling and privacy matters of products and services provided and relevant remedies which would have a material impact on the Group.

⁵ For laws and regulations relating to product liability, please refer to the section headed Laws and regulations in this report



Quality Management

The Group has adopted the ISO9001 quality management system for scientific management of our projects. The project department is required to assign a certain number of professional quality management officers to a project based on the size and progress of the project. We have also formulated a series of management rules including project management accountability system, quality management of master contractors and sub-contractors, project process management, and inspection and appraisal of quality management.



Project management accountability system:

- specifying the objectives, responsibilities and power of the responsible officer, functional departments and project manager department
- improving and enforcing project quality accountability system where responsible persons shall be accountable for project quality incidents



Quality management of master contractors and sub-contractors:

- including quality management of sub-contractors in the management system of the Group
- rewarding sub-contractors with strong awareness of quality, strict management and high product quality



Project processing quality management:

- detailed planning of project quality management based on pre-determined quality standards
- strengthening inspection and acceptance of quality of each procedure, and establishing an inspection and acceptance system



Inspection and appraisal of quality management:

- establishing a target-based project quality management system to determine the annual targets of project quality for employees at different levels and staff at different levels
- a general inspection and study of the project quality control and project quality of project in progress at least once a month

Quality management

Innovation and improvement

As a future-oriented company, we have been attempting in technology innovation and quality development. We arranged internal visits and reviews of model projects for the improvement of the overall project quality. We also recommended projects with high quality and safety to participate in national quality competitions. In order to encourage innovation and quality improvement, the Group provides cash rewards for projects with QC achievements, technology innovation, engineering patents and technology advancement. During the reporting period, a total of six projects of the Group won the Luban Award, the highest honor in the construction industry, and a total of two QC achievements won national awards. Such achievements will motivate us to launch more high-grade projects.



Djibouti Jura Port

Djibouti Jura Port Project is the construction of a bulk terminal and ancillary facilities with annual throughput of 5 million tons. It is one of the most important and largest projects undertaken by Chinese company in Djibouti, East Africa. The project was completed and commence operation in 2017 and has a useful life of 50 years. It was honoured the China Construction Engineering Luban Prize 2018–2019.



Kenya Huawei data center project

One of the major projects of the Group in the first-ever smart city area in Kenya, the KONZA Huawei Data Center Project. Construction commenced during the reporting period. We will continue to deepen international cooperation and serve the people of China and Kenya with high efficiency and quality.



Our research and innovation team has passed the interim review

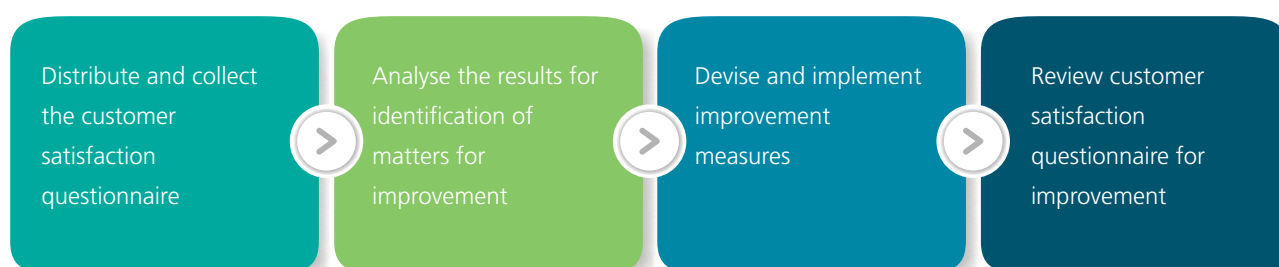
Experts of a review group have reviewed and assessed the work of industrialization of construction research and application innovation team of the Group and highly recognized their achievements. We are motivated to continue to pursue innovation in our future research and development.

Some of the results of Innovation and quality development



Higher Customer Satisfaction

The Group values the customer satisfaction and regards their opinions as the motivation for development of the Group. According to the regulations of the Group, customers may lodge their opinions through the property management companies or to the Group directly. Our customer service department and technicians of the project department will conduct on-site inspections within 48 hours and discuss with our chief engineer for remedial actions subject to cost evaluation by the internal audit department. Remedial works will commence in seven days if agreed by customer. The entire process will be documented for records. Customer satisfaction study is an effective method to understand customer opinions. The process of information collection, analysis and corresponding improvement is as follows:



Anti-corruption

The Group endeavors to maintain an efficient, transparent and orderly corporate governing system. We strictly comply with relevant laws⁶ and encourage employees to report corruption and other illegal activities through appropriate channels. Whistle blower will be protected but report of illegal activities for revenge is strictly prohibited. We have very serious measures to fight against corruption.

Reporting Policy

We have standardized reporting procedures and reporting channels by formulating the "Internal Audit Committee — The policy on employees reporting" (《審核委員會員工舉報政策》). All staff are welcome to report (anonymously or not) deception and other corruption activities by mail and email to the Internal Audit Committee. For real-name reporting cases, members of the Audit Committee may contact the reporting staff for more information for further understand. We strictly prohibit malicious reporting and consider to dismiss malicious reporting staff. The Group will handle all cases seriously to ensure all reports can be properly handled.

Reporting Protection Policy

To protect our employees who report in good faith, we will keep them confidential to the fullest extent permitted by law. In addition, we also formulated the employee protection policy to protect our employees from retaliation and discrimination for reporting illegal behaviors or engaging in investigation. In case that any illegal reprisal or discrimination, employees can file complaints under the aforementioned reporting policy. The staff involved in the reprisal or discrimination will be strictly punished or even immediately dismissed by the Group when the circumstances are serious.

During the reporting period, the Group was not aware of any violations of laws and regulations regarding bribery, blackmailing, fraud and money-laundering that are material to the Group. No corruption litigation relating to the Group was recorded.

⁶ For relevant laws and regulations relating to anti-corruption, please refer to the section headed *Laws and Regulations* in this report



COMMUNITY INVOLVEMENT

The Group cares about the well-being of the community and performs its corporate social responsibilities together with its employees and stakeholders of the community.





During the reporting period, the Group was continuously dedicated to poverty alleviation by focusing our efforts on poverty alleviation of poor villages. Efforts were also made to help the under-privileged groups by showing our care to families, elderly and students in need. Since our first donation in 2014, the total donation of the Group by the end of 2019 was more than RMB30 million. Our efforts of poverty alleviation and other charitable activities are highly regarded by the community and the government. During the reporting period, the awards of the Group and some of our donations are as follows:

Purpose	Organization/project	Donation (RMB'000)
Poverty alleviation	Zhangmenkou Village	440
	Zhang Jia Town	
	Macheng City	
	Tiemengang Town	600
	Macheng City	
	Langkazi Village	300
	Xizhang	
	Jinchuan County	200
Under-privileged groups	The Charity Committee of Yaohai District of Hefei	200
	The Charity Committee of Xinzhan District of Hefei	200
Helping the elderly and youth	The Red Cross of Shaoxing	400
	Elderly Fund of Anhui	20
	"Child Care for Future" project	20
Establishment of organization	Luxun Cultural Fund, Shaoxing Branch	50
Disaster relief	Keqiao Charity Council	50

Awards	Awarding organization
Outstanding Organizer of Targeted Poverty Alleviation and Social Poverty Alleviation of 2019	The People's Government of Macheng City
Outstanding Non-state-owned Enterprise of the National Enterprise to Village Poverty Alleviation Campaign	All-China Federation of Industry and Commerce, Poverty Alleviation Committee of the State Council
Caring Enterprise	Elderly Fund of Anhui

Targeted Poverty Alleviation

Over the years, the Group actively participated in targeted poverty alleviation activities and adopted all major government policies on poverty alleviation. We uses various methods for poverty alleviation, including direct donation, supporting the development of local industries.

Helping the under-privileged

The under-privileged groups are the major targets of our poverty alleviation efforts. Through donations to charity organizations over the years, we helped improve the living quality of the elderly. We have been helping the extremely under-privileged groups by providing support to various charity organizations of Hefei for six consecutive years. The Group realizes that the poor children are hungry for knowledge and have donated to Hope Primary Schools and poor children for many years. During the reporting period, the Group continued to participate in the “Child Care for Future” project by providing subsidy for study.

Case report:

During the reporting period, we donated RMB600,000 to Damiao Village, Tiemengang Town of Macheng City for the construction of a farm house for serving a thousand acres of paddle fields and lotus ponds. We also donated RMB440,000 to Zhangmenkou Village of Macheng City for the establishment of Chinese herbs farm, construction of cultural centre and purchase of necessary equipment in an effort to alleviate poverty.



LAWS AND REGULATIONS

Subject	Applicable laws and regulations	Relevant section
Environment	<ul style="list-style-type: none"> • Law of the People's Republic of China on the Prevention Atmospheric Pollution • Water Pollution Prevention and Control Law of the People's Republic of China • Environmental Protection Law of the People's Republic of China • Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes • Energy Conservation Law of the People's Republic of China • Soil Pollution Prevention and Control Law of the People's Republic of China 	Environmental protection
Employment	<ul style="list-style-type: none"> • Labor Law of the People's Republic of China • Labor Contract Law of the People's Republic of China 	Employee care — Human resources management
Health and safety	<ul style="list-style-type: none"> • Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases • Production Safety Law of the People's Republic of China 	Employee care — Occupational health and safety
Employment standards	<ul style="list-style-type: none"> • Provision on the Prohibition of Using Child Labor • Law of the People's Republic of China on the Protection of Minors 	Employee care — Child labor and forced labor management
Product responsibility	<ul style="list-style-type: none"> • Product Quality Law of the People's Republic of China • Patent Law of the People's Republic of China • Construction Law of the People's Republic of China 	Operation compliance — Product liability
Anti-corruption	<ul style="list-style-type: none"> • Criminal Law of the People's Republic of China • Anti-unfair Competition Law of the People's Republic of China 	Operation compliance — Anti-corruption

PERFORMANCE DATA SUMMARY

SUMMARY OF STATISTICS

Statistics of environmental matters

	Unit	2019	2018	
Consumption	Electricity consumption	KWh	9,313,688	8,125,238
	Electricity consumption density	KWh/sq.m. (office area)	89	77
	Gas	Liter	129,840	148,946
	Gas consumption density	Liter/vehicle	2,497	3,097
	Diesel consumption	Liter	5,036	11,964
	Diesel consumption density	Liter/vehicle	1,679	2,991
	Water consumption^	Tonne	109,082	128,308
	Water consumption density^	Tonne/sq.m. (office area)	1.04	1.22
Emission	Greenhouse gases emission			
	Scope 1: direct emission	CO ₂ equivalent (tonne)	359	428
	Scope 2: indirect emission	CO ₂ equivalent (tonne)	6,552	5,716
	Total	CO ₂ equivalent (tonne)	6,911	6,144
	Greenhouse gases emission density	CO ₂ equivalent (tonne)/sq.m. (office area)		
	Exhaust gases emission^			
	NOx	Tonne	125	145
	SOx	Tonne	2	2
	Particulate matters	Tonne	9	12
	Non-hazardous wastes			
	Papers	Box	448	442
	Used paper generation density	Box/sq.m. (office area)	0.004	0.004
	Hazardous wastes			
	Fluorescent tube	Piece	1,170	1,355
	Used fluorescent tube generation density	Piece/sq.m. (office area)	0.011	0.013
	Used batteries	Piece	1,250	1,350
	Used batteries generation density	Piece/sq.m. (office area)	0.012	0.013
	Ink cartridge	Piece	108	104
	Used cartridge generation density	Piece/sq.m. (office area)	0.004	0.004

^ 2018 figures of water and emission have been adjusted



Statistics of employees

		2019	2018
Composition of employees	Full time employee	5,801	5,465
	By age		
	≤ 30	3,031	1,474
	31–40	1,050	1,383
	41–50	906	1,277
	≥ 51	814	1,331
	By sex		
	Male	4,078	3,878
	Female	1,723	1,587
	By position		
	Senior management	215	191
	Middle management	823	752
	General staff	4,763	7,522
	By education		
	Master and above	77	93
	Bachelor	1,219	1,321
	High school	1,070	1,131
	Below high school	3,435	2,920
	By grade		
	Senior level and above	342	336
	Middle level	879	808
	Junior level	753	793
	Others	3,827	3,528
	Employee turnover		
	By gender		
	Male	415	—
	Female	164	—
	By age		
	≤ 30	166	—
	31–40	99	—

	2019	2018
41–50	105	—
≥ 51	209	—
Employee turnover rate		
By gender		
Male	7.15%	—
Female	2.83%	—
By age		
≤ 30	2.86%	—
31–40	1.71%	—
41–50	1.81%	—
≥ 51	3.6%	—
New employee		
By gender		
Male	608	—
Female	307	—
By age		
≤ 30	434	—
31–40	223	—
41–50	138	—
≥ 51	120	—
New employee rate		
By gender		
Male	10.48%	—
Female	5.29%	—
By age		
≤ 30	7.48%	—
31–40	3.84%	—
41–50	2.38%	—
≥ 51	2.07%	—



		2019	2018
Training	Staff training coverage*		
	By gender		
	Male	45.05%	60.51%
	Female	29.83%	30.78%
	By position		
	Senior management	9.77%	6.61%
	Middle management	11.91%	23.68%
	General staff	46.86%	57.88%
	Average training hours		
	By gender		
	Male	6.10	5.20
	Female	8.95	7.72
	By position		
	Senior management	5.79	10.43
	Middle management	7.92	9.56
	General staff	6.83	4.25
Health and safety education	Occupational safety and health education		
	Number of attendant of safety education	1,927	493
	Number of hour of safety education	9,419	6,549

* 2018 training coverage figures have been adjusted

CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

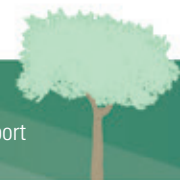
CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

KPIs	Requirements of the Environmental, Social and Governance Reporting Guide by HKEx	Section/remarks
A. Environmental		
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 wastes.	Environmental responsibilities — Emission control
KPI A1.1	The types and figures of emissions	Environmental responsibilities — Emission control
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where applicable, intensity (e.g. per unit of production volume, per facility).	Environmental responsibilities — Emission control
KPI A1.3	Total hazardous waste produced (in tonnes) and, where applicable, intensity (e.g. per unit of production volume, per facility).	Environmental responsibilities — Emission control
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where applicable, intensity (e.g. per unit of production volume, per facility).	Environmental responsibilities — Emission control
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental responsibilities — Emission control
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and reduction initiatives and results achieved.	Environmental responsibilities — Emission control



KPIs	Requirements of the Environmental, Social and Governance Reporting Guide by HKEx	Section/remarks
Aspect A2: Use of resources	General disclosure Policies of the efficient use of resources, including energy, water and other raw materials.	Environmental responsibilities
	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 Responsibilities — Conservation of resources
	KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Responsibilities — Conservation of resources
	KPI A2.3 Description of energy use efficiency initiatives and results achieved.	Environmental Responsibilities — Conservation of resources
	KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental Responsibilities — Conservation of resources
	KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The operation of the Group does not involve any use of physical packaging materials
Aspect A3: Environment and natural resources	General disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental responsibilities — Green construction
	KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental responsibilities — Green construction

KPIs	Requirements of the Environmental, Social and Governance Reporting Guide by HKEx	Section/remarks
B. Social		
Aspect B1: Employment	<p>General disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance of relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	Employee care — Human resources management
	<p>KPI B1.1 Total workforce by gender, employment type, age group and geographic region.</p>	Employee care — Human resources management
Aspect B2: Health and safety	<p>General disclosure</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance of relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	Employee care — Occupational health and safety
	<p>KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.</p>	Employee care — Occupational health and safety
Aspect B3: Development and training	<p>General disclosure</p> <p>Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p>	Employee care — Development and Training
	<p>KPI B3.1 The percentage of employees trained by gender and employee position (e.g. senior management, middle management).</p>	Employee care — Development and Training
	<p>KPI B3.2 The average training hours completed per employee by gender and employee position.</p>	Employee care — Development and Training



KPIs	Requirements of the Environmental, Social and Governance Reporting Guide by HKEx	Section/remarks
Aspect B4: Labor standards	General disclosure Information on: (a) the policies; and (b) compliance of relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Employee care — Child labor and forced labor management
	KPI B4.1 Description of measures to review employment practices to avoid child and forced labor.	Employee care — Child labor and forced labor management
	KPI B4.2 Description of steps taken to eliminate such practices when discovered.	No non-compliance identified during the year
Aspect B5: Supply chain management	General disclosure Policies on managing environmental and social risks of the supply chain.	Compliance operation — Sustainable supply chain
	KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers on which the practices are being implemented, how they are implemented and monitored.	Compliance operation — Sustainable supply chain
Aspect B6: Product responsibility	General disclosure Information on: (a) the policies; and (b) compliance of 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.	Compliance operation — Product liability
	KPI B6.2 Number of products and services related complaints received and how they are dealt with.	Compliance operation — Product liability
	KPI B6.4 Description of quality assurance process and recall procedures.	Compliance operation — Product liability

KPIs	Requirements of the Environmental, Social and Governance Reporting Guide by HKEx	Section/remarks
Aspect B7: Anti-corruption	General disclosure	Compliance operation — Anti-corruption
	Information on:	
	(a) the policies; and	
	(b) compliance of relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	
	KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	No corruption legal cases involved during the reporting period
	KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Compliance operation — Anti-corruption
Aspect B8: Community investment	General disclosure	Community engagement
	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.	
	KPI B8.1 Focus areas of contribution.	Community engagement
	KPI B8.2 Resources contributed to the focus area.	Community engagement

