

HONGKONG
Suite 6409, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Tel: 852-29681113 Fax:852-29681080

CHONGQING
No.72, Avenue Of Stars, Innovative & High-Tech Park, Northern New District, Chongqing, China
Tel: 86-23-61867777 Fax:86-23-61867775



2021

Environmental, Social and
Governance Report
Kangda International Environmental
Company Limited



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ABOUT THIS REPORT

Overview and Principles

This is the sixth Environmental, Social and Governance ("ESG") report of Kangda International Environmental Co., Ltd. ("Kangda International" "Company" or "We"), which is compiled in accordance with the rules in the Appendix 27 of the Guidelines for Environmental, Social and Governance Reporting (the "ESG Reporting Guidelines") of the rules governing the listing of securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), covering the Company's performance and data in the areas of business development, employee caring, environmental protection, and community investment from January 1 to December 31, 2021.

Report Scope

The policies, statements, materials and data in this report cover the urban water projects, water environment comprehensive management and rural sewage treatment projects that the Company and its subsidiaries have major involvement. Unless otherwise stated, all currencies in this report refer to RMB.

The report follows the principles of "materiality", "quantification", "balance" and "consistency" of the ESG Reporting Guidelines of the Hong Kong Stock Exchange. The content of the report is derived mainly from the assessment and analysis of major topics and the opinions of the stakeholders. Please refer to the chapter "Sustainable Development" for detailed procedures.

Confirmation and Approval

The content of this report has been confirmed by the management and directors on May 27, 2022.

This report is available in simplified Chinese, traditional Chinese and English. The digital version of the report is available on the website of the Hong Kong Stock Exchange in the category of Kangda International's "Financial Statements/ESG Information" and it can also be obtained from the Company's website. If you have any questions or comments on this report, please send them to us in the following ways:

Address: No.72, Avenue of Stars, Innovative & High-Tech Park, Northern New District, Chongqing, China

Phone: +86-23 6186 7777

Fax: +86-23 6186 7775

Email: kangda@kangdaep.com

Official website: www.kangdaep.com



Management's Statement

As the Chinese saying goes, "only when all rivers flow into the sea can it grow broader, and only when all tricklets meet together can a magnificent vast ocean be formed." Kangda International closely watches policy developments, harnesses growth opportunities brought by environmental protection policies, and leverages its leading role in technology, market integration, and financing. The Company combines internal and external resources available, explores an innovative mindset for expansion, and implements more effective ways for comprehensive pollution management. By enhancing our technological innovation capabilities and optimizing the service industrial chain, we aim to create an environment with greener water, lush mountains, bluer skies, and more livable cities, contributing our share to China's environmental cause.



Since its inception over two decades ago, Kangda International has been at the forefront of China's environmental protection and water service sectors. We are now entering a new stage of development. In 2021, we again made the list of China Top 50 Environmental Enterprises and our position improved by nine places over the previous year. The Company is devoted to expanding its status and influence across the industry through its best-in-class management system, innovative environmental technology, and operational excellence.

Kangda International values honesty and trust in its business dealings with clients and customers. We continuously improve our management, optimize the quality management system governing project construction and operational service, make quality management more efficient and effective, and synergize the upstream and downstream activities. With a trustworthy brand reputation and efficient business operations, we have earned the respect and trust of the government and partners. The Company

has always placed a high value on scientific research and development. We hold the belief that scientific and technological innovation is the lifeline for corporate sustainability. As a result, we advance technological innovation through independent research and development, patent purchases, mergers and acquisitions, and joint ventures, engage in industry-university-research institute partnerships, and empower the innovative development of our industry.

Kangda International believes that talent holds the key to corporate sustainability. We adopt a people-centered approach to human resources management and try our best to grow and care for employees so that we can develop together. We safeguard our employees' basic rights and interests and improve the talent training and support system. By hosting sports competitions, football matches, and cultural festivals, we hope to deliver work-life balance to our employees, build stronger teams, and foster a diverse, inclusive, healthy, and happy working environment. The Company goes all out to protect the core elements that drive our growth.

Kangda International remains committed to the core values of "Sincere Commitment and Repaying the Society." Our business growth fuels a model of sustainable development that combines environmental conservation and economic growth. We want to improve inhabitants' living conditions and contribute to the development of beautiful rural and urban neighborhoods. In addition, as part of our corporate social responsibility, we organize public benefit initiatives.

Going forward, Kangda International will continue to follow the latest policy trends, seize market opportunities, make innovations, and undertake better projects. We will promote the sustainable development of our society while advancing corporate growth.

Board of Directors' Statement

Responsibility of the Board of Directors

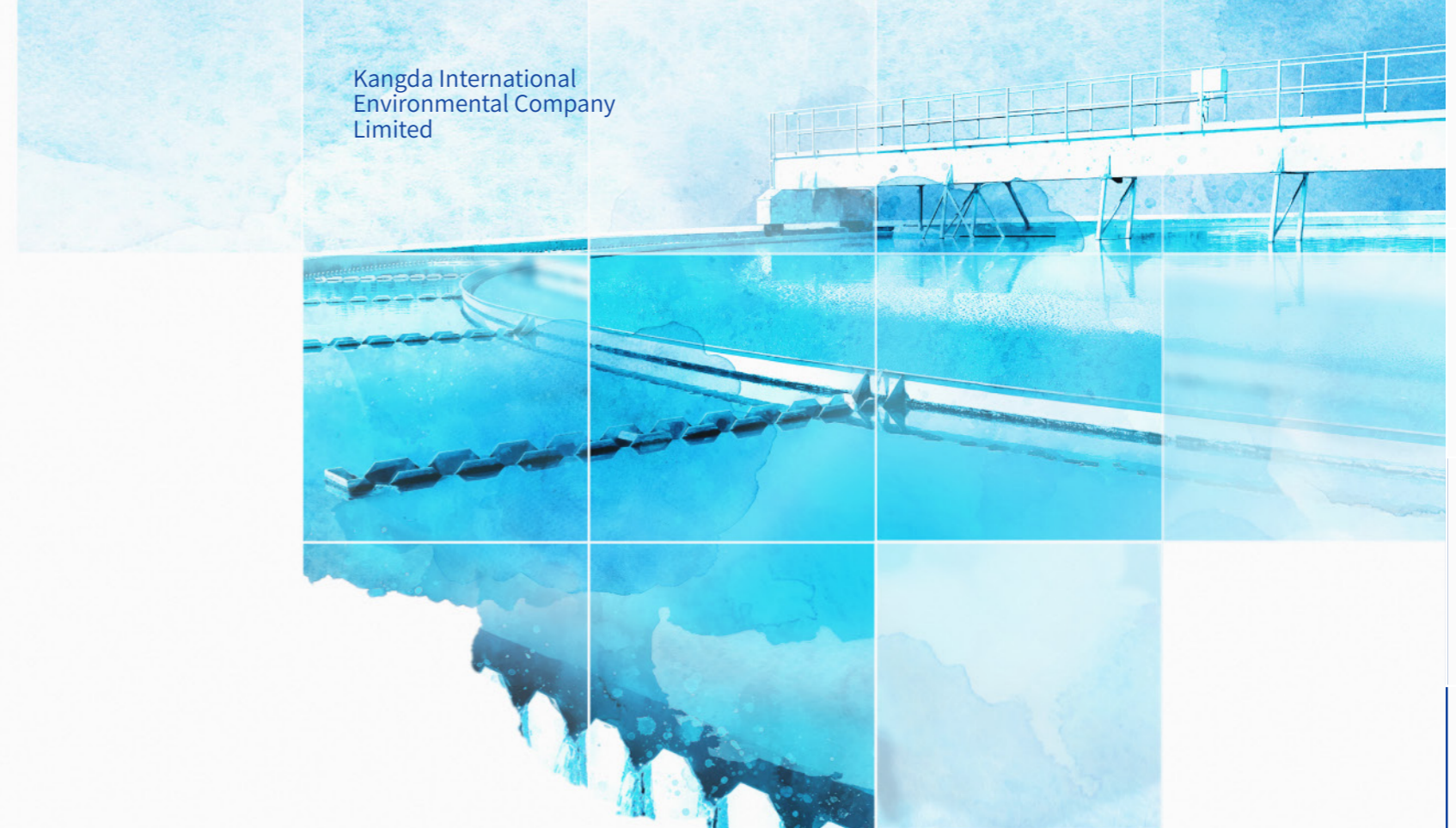
Kangda International values ESG work and has made green operations and low-carbon development a part of its core business strategy. We're committed to providing win-win outcomes for our customers, employees, shareholders, and government. The Board of Directors assumes full responsibility for the Company's ESG strategy and performance. The Company has created a three-tier governance structure consisting of the Board of Directors, the Audit Committee, and the ESG Working Group to support sustainable development.

The Audit Committee is responsible for monitoring, reviewing, and researching the Company's ESG-related matters, suggesting ESG strategies and frameworks, identifying material ESG risks and opportunities, supervising and evaluating the ESG rules, strategies, policies, and objectives, deliberating the annual ESG report, and submitting the report for Board approval.

ESG Work Implementation

The ESG Working Group is in charge of carrying out the ESG concept and strategy, developing ESG objectives and action plans, and reporting to the Audit Committee on a regular basis. In addition, as part of its continued efforts to incorporate ESG requirements into everyday operations and management and improve ESG performance on an ongoing basis, the Company has assigned specialized staff to generate ESG reports.

The Audit Committee met twice during the reporting period to examine topics of concern to stakeholders and to summarize ESG work progress. We assessed the material ESG topics in terms of stakeholder expectations and demands, identified opportunities and response measures in climate risk mitigation, and established environmental goals for energy consumption, resource usage, and greenhouse gas (GHG) emissions. The ESG Working Groups would be assigned particular duties after the Board of Directors reviewed the opinions and proposals expressed by attendees at the meetings. The Audit Committee would be in charge of overseeing and examining progress toward the goals as well as the implementation of the ESG responsibilities. More information is laid out in Sections 1.3 Materiality Assessment, 4.2 Environmental Goals, and 4.5 Climate Change Responses of this report.



ESG Risk Management

Kangda International greatly values ESG risk identification and management and has established a perfect risk management system to mitigate the impact of potential risks on corporate sustainability. The Board of Directors assumes full responsibility for the Company's risk management system and supervises and approves the ESG risk management strategies and policies, which are designed to assess the Company's risk exposure and tolerance. The Audit Committee is responsible for reviewing, evaluating, and reporting to the Board on the ESG-related risks and opportunities, developing corresponding objectives, and regularly monitoring the progress toward the objectives. These include but are not limited to environmental risks such as climate change, water resources, and pollutant discharge, as well as social risks such as employment, supply chain, and corruption.



About Kangda International

Company Profile

In 2011, Kangda International Environmental Co., Ltd. (HK06136) was established. Since then, it has become an industry leader in the field of pollution control. On July 4, 2014, the Company was listed on the main board of the Hong Kong Stock Exchange. The Company participates in pollution control, sewage treatment, and solid waste disposal as a comprehensive service provider of urban environmental governance. The Company attracts domestic and overseas capital through stock acquisition, TOT, BOT, PPP, and other models, and provides customers with integrated water project solutions and services.

Kangda International values research and development input and works to improve overall research and development capabilities. The Company has established a technological innovation team composed of renowned experts and scholars at home and abroad, as well as an Expert Committee that is tasked with tackling technological challenges. Moreover, the Company proactively seeks partnerships with famous universities and research institutions such as China Ship Scientific Research Center, Tianjin Municipal Engineering Design and Research Institute to jointly promote the Company's technological innovation.

Kangda International has won numerous honors for its leadership in the industry. The Company is one of China's top 50 environmental enterprises and one of the country's first AAA credit rating companies. It is also the Vice-Chairman Organization of the China Environmental Chamber of Commerce and the China Association of Environmental Protection Industry. The Company was certified by the ISO 9001 Quality Management System, the ISO 14001 Environmental Management System, and the ISO 45001 Occupational Health and Safety Management System, as well as obtained the CAEPI level-1 industrial wastewater and domestic sewage operation and service ability evaluation certification.

Kangda International stays true to its mission of "Creating a First-Class Environmental Protection and Creating a Century Enterprise" and carries forward its core values of "Sincere Commitment and Repaying the Society." We seize industry development possibilities, adopt a "water-centric" business philosophy, improve our management structure, strengthen technological innovation capabilities, optimize the service industrial chain, and create value for our stakeholders and society as a whole. Going forward, we will seize the opportunity presented by the improved water environment and China's "dual carbon" goals, establish a complete water service industry chain, and undertake good projects such as reclaimed water and industrial sewage reuse. We will contribute our wisdom to help enhance the environment and support sustainable social development.



• Nine-Word Principle

Following Rules, Pursuing Self-discipline and Fulfilling Duties



• Corporate mission

Create an Environment with Greener Water, Lusher Mountains and Bluer Skies



• Corporate vision

Create a First-Class Environmental Protection, Create a Century Enterprise



• Corporate core values

Sincere Commitment and Repaying the Society



About Kangda International

Business Overview

Kangda International is committed to actively implementing the concept of sustainable development throughout its business chain, pursuing ecological civilization, and contributing to the Beautiful China initiative. In 2021, Kangda International's business remained centered on urban water treatment, and incorporated existing projects in comprehensive treatment of water environment, rural sewage treatment, and other fields. The Company has established a business network in 16 provinces and municipalities across China, including Shandong Province, Henan Province, Heilongjiang Province, Shanxi Province and Zhejiang Province. During the reporting period, the Company gave priority to its urban water treatment business, improved the Company's project profitability through upgrading and expansion, and ensured a stable operating cash flow and a bigger source of returns for shareholders and investors. As of the end of the reporting period, Kangda International had registered a total operating revenue of RMB 2,919.0 million, a year-on-year decrease of nearly 12%. The decline was mainly caused by fewer revenues from its construction services.

Urban Water Treatment

The Company's urban water treatment business includes the design, construction, upgrading and operation of wastewater treatment plants, reclaimed water treatment plants, sludge treatment plants, and water distribution plants, as well as the operation and maintenance of government-entrusted sewage treatment facilities. It provides a number of service franchise arrangements based on contracts in such patterns as Build-Operate-Transfer (BOT), Transfer-Operate-Transfer (TOT), Public-Private Partnership (PPP), Build-Own-Operate (BOO), and Engineer-Procure-Construct (EPC) with services covering the overall industrial chain of the urban water treatment industry.

During the reporting period, Kangda International had entered into a total of 113 service concession arrangements projects, including 107 wastewater treatment plants, 1 water distribution plant, 3 sludge treatment plants, and 2 reclaimed water treatment plants, with revenues of RMB 1,185.9 million, a year-on-year increase of 13%.

Water Environment Comprehensive Remediation

The Company's water environment comprehensive remediation business includes comprehensive treatment and improvement of the river basin, treatment of black and odorous water body, construction of sponge city, and so on. We are also committed to reducing risks and integrating resources to operate and maintain the water environment treatment projects, through the execution of the signed PPP and EPC contracts. During the reporting period, the Company had 7 water environment comprehensive remediation projects under construction, mainly located in Jiangxi Province and Shandong Province, with a total revenue of RMB 147.7 million, a year-on-year decrease of 53%. The fall is a result of the completion of some existing EPC projects.

Rural Water Improvement

Rural water improvement includes the construction and operation of "Beautiful Village" sewage treatment facilities, such as sewage treatment equipment and sewage collection network to improve the rural living environment. The Company is engaged in rural water improvement business mainly through the execution of the PPP contracts. During the reporting period, the Company disposed of 1 rural water improvement project located in Guizhou Province, and its 2 projects located in Guangdong Province were both under construction. These projects had a total revenue of RMB 102.9 million, a year-on-year decrease of nearly 15%. The decline was mainly due to the net effect of a decrease in the completion of existing construction projects, and an increase in operating revenues from the partial operation of these two projects.



● Wastewater Treatment Projects' Geographical Distribution

^① Other provinces/municipalities include Beijing, Tianjin, Hebei, Jilin, Liaoning, Shaanxi, Sichuan and Fujian.

Key Performance

Financial Indicators

Revenue

RMB 2,919.0 million
a year-on-year decrease of about 12%

Net profit

RMB 418.2 million
a year-on-year decrease of about 11%

Gross profit

RMB 1,335.3 million
a year-on-year increase of about 1%

Total assets

RMB 18,281.4 million
a year-on-year increase of about 4%

Sales and distribution expenses

RMB 1.1 million
a year-on-year decrease of about 56%

EBITDA

RMB 1,188.2 million
a year-on-year decrease of about 4%



Governance Indicators

Completed compliance audits of **21** project companies, and special audits of **17** construction projects

Compiled the *Third Issue of the Anti-Fraud Journal* and the *Kangda International: Special Issue on Corporate Management Systems*

Conducted the *Third-Party Risk Management Assessment*

Social Indicators

Received the GB/T 19001-2016/ISO 9001: 2015 Quality Management System Certificate

Set an effluent quality compliance objective and achieved **99.99%** of effluent quality compliance throughout the year

Held a total of **21** intellectual property rights, including patents and trademarks

Established partnerships with **201** suppliers

100% of equipment suppliers were certified by the ISO 9001 Quality Management System, and **77%** of equipment suppliers certified by the ISO 140001 Environmental Management System; For engineering contractors, the two ratios were **74%** and **74%** respectively

A total of **2,426** employees

Optimized salary and performance policies and systems, for instance, revising the *Performance Assessment Management Measures for Member Enterprises*, and the *Regulations on Salary Management for Member Enterprises*, and releasing the *Rules for Assessment of Dispatching Financial Employees (For Trial Implementation)*

Offered a diverse training system, with **35,634** training hours for employees in total and an average of **14.7** hours per person

Released the *Subsidy Standards and Implementation Measures* to give subsidies for advanced learning and job-related certification examinations

Conducted a total of **153** safety drills and training activities; **NO** serious safety accidents and work safety accidents throughout the year; and **NO** work-related injury or death throughout the year

Obtained the GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Management System Certificate

Environmental Indicators

Obtained the ISO 14001 Environmental Management System Certificate

Set *environmental goals*:

Reduce water consumption and commit to the stability of wastewater treatment to meet standards; Reduce solid waste such as sludge and construction waste, and further disposal compliance of solid waste; Reduce energy consumption including electricity, diesel, gasoline, natural gas, etc., and *reduce energy intensity gradually*; Reduce greenhouse gas emissions and intensity gradually.

Water consumption intensity decreased by **14%** year-on-year in 2021

Sludge generation intensity decreased by **7%** year-on-year in 2021

Scope 1 greenhouse gas emissions decreased by **18%** year-on-year in 2021

Sustainable Development

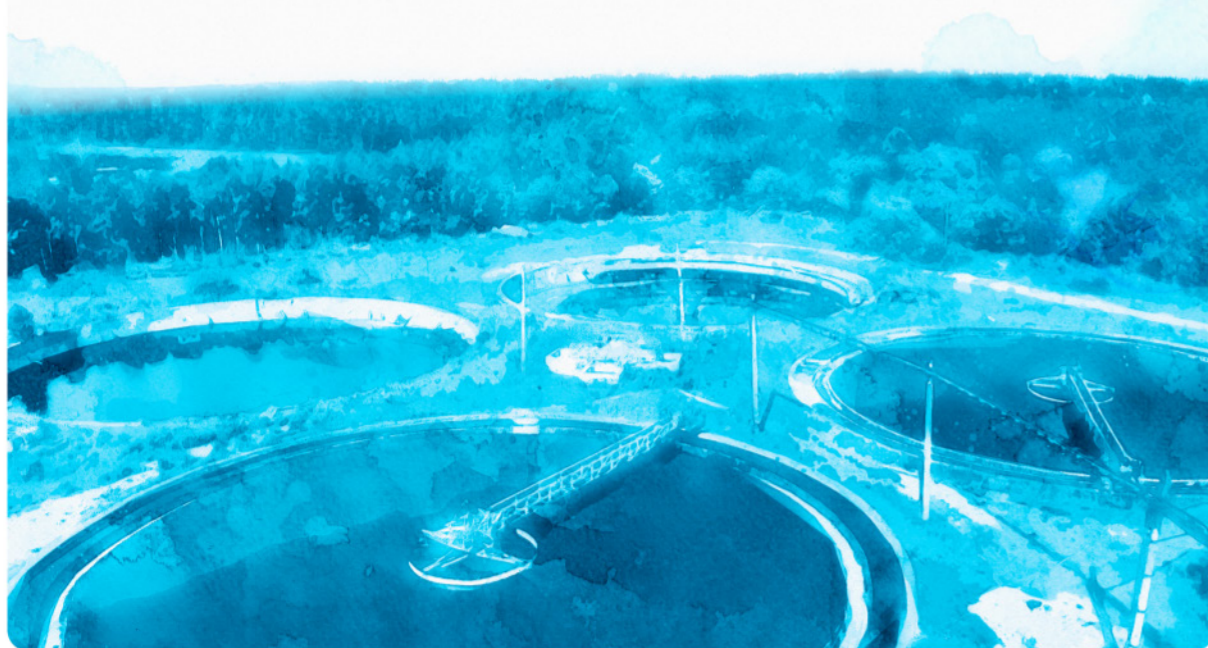
Kangda International firmly believes that good corporate governance and ESG management are the keys to the high-quality and sustainable development of the Company. By continuously improving our corporate governance structure, adhering to compliance and actively practicing ESG concepts in our daily operations, we ensure the harmonious integration of corporate growth with the improvement of the natural environment and social development.

1.1 Corporate Governance

Kangda International continuously strengthens corporate governance to balance and defend the interests of shareholders, customers, employees, and other stakeholders in order to achieve long-term and steady growth. To ensure efficient and transparent corporate management, we are committed to standardizing the corporate governance environment, building an efficient corporate management structure, and working to improve our performance in capital management, risk control, and information disclosure.

Kangda International abides by the Company Law of the People's Republic of China, the Model Code for Securities Transactions by Directors of Listed Issuers, and other applicable laws and regulations, as well as regulatory requirements. We insist on operating in line with legal compliance, performing routine compliance inspections, improving compliance standards on a continual basis, and encouraging all departments to examine and update the internal management system on a regular basis.

To continuously reinforce duties and control, enhance management tools and strategies, and increase operational efficiency, the Company has built a robust corporate governance structure with the Board of Directors at its center. The Board of Directors consists of 7 members: 4 executive directors (one of whom is a woman) and 3 independent non-executive directors. The Board of Directors is primarily responsible for leading and controlling the Company, as well as overseeing its business, strategic decisions, and performance. To improve the efficiency of the Board of Directors and ensure rational and effective decision-making, the Nomination Committee, Remuneration Committee, and Audit Committee are established under the Board of Directors and are responsible for managing the appointment of directors, designing senior management remuneration packages, and reviewing the effectiveness of the Company's risk control system, respectively.



Nomination Committee

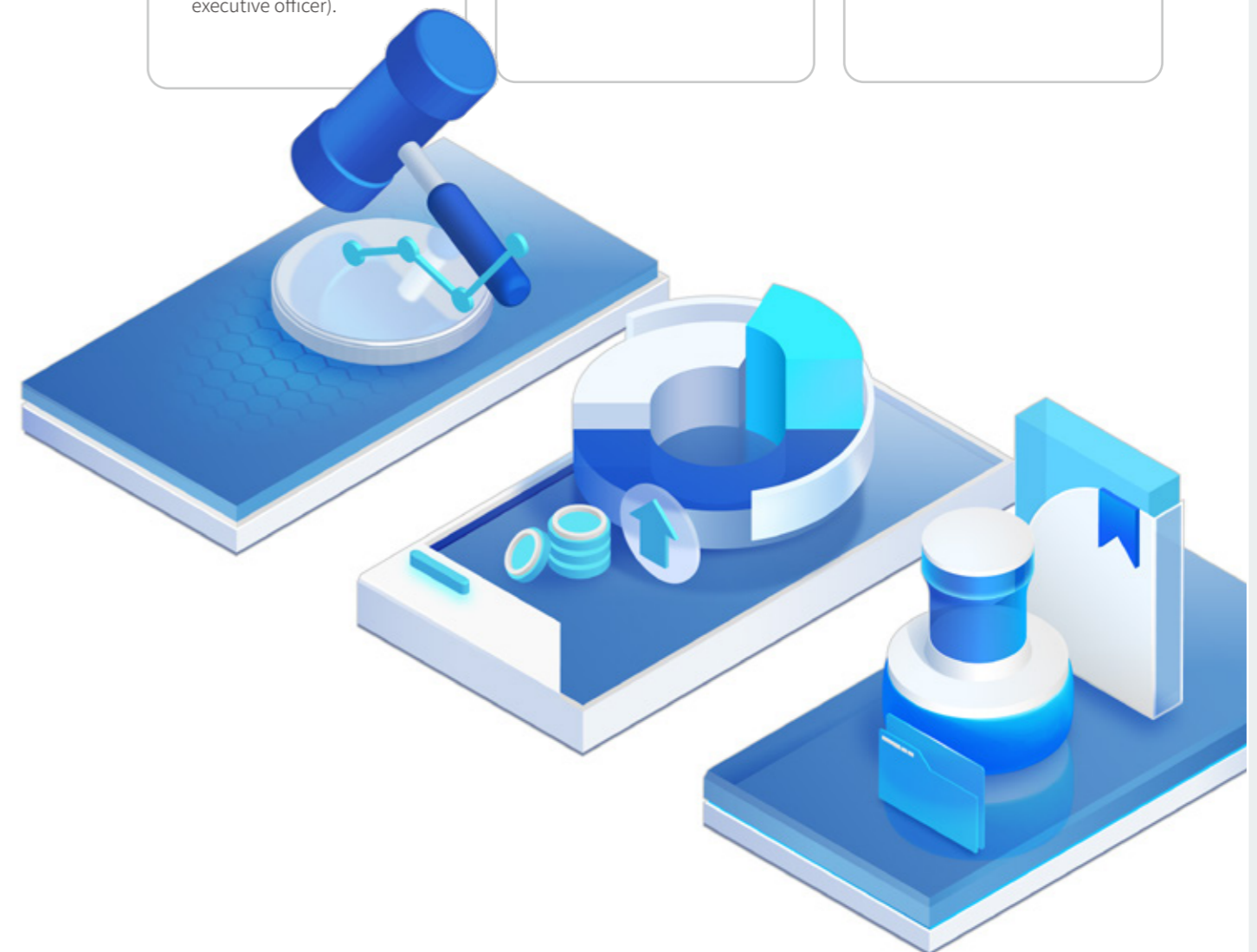
Responsible for reviewing the size, structure and composition of the Board of Directors to align with the Company's strategy, and making recommendations to the Board of Directors concerning the appointment and re-appointment of directors and the director succession plans (especially the chairman and chief executive officer).

Remuneration Committee

Responsible for reviewing and approving the remuneration packages of the management with reference to the corporate goals and the objectives of the Board of Directors, making recommendations on the remuneration packages of individual executive directors and senior management to the Board of Directors.

Audit Committee

Responsible for assisting the Board of Directors to provide independent opinions on the effectiveness of financial reporting procedures, internal control and risk management systems, supervising audit procedures, and performing other duties and responsibilities delegated by the Board of Directors.

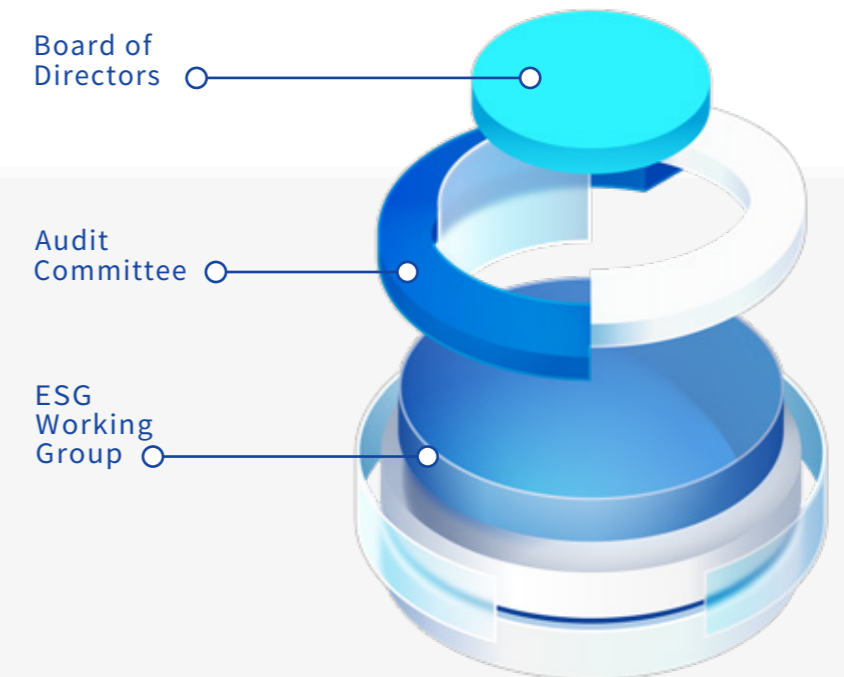


1.2 ESG Management

Kangda International prioritizes environmental, social, and governance (ESG) management, taking the initiative to respond to the realistic needs and specific expectations of various stakeholders by establishing effective and efficient communication channels and dialogue mechanisms, and continuously improving its ESG strategy and governance to support the Company's sustainable development goals.

ESG Governance Structure

To better drive the implementation of the Company's ESG concept and strengthen sustainable development management, the Company has established a three-tier governance structure composed of the Board of Directors, Audit Committee, and ESG Working Group as the core. In addition, we appointed employees to oversee ESG feedback and prepare ESG reports. Based on the ESG reports, the Company will continue to engage deeply the Board of Directors in the process of ESG risk assessment and management and upgrade ESG capabilities in the future.



• Kangda International's ESG Objectives



1.2.1

ESG Concept and Objectives

Kangda International has always followed the business concept of "water-centric" focusing its primary operations on "water" while adhering to the responsibility notion of "contributing to the world." In 2021, we were devoted to the sustainable development of the Company, aggressively carrying out our social responsibilities and enhancing our ESG development by continuously developing our sustainable management system and structure. As the Chinese proverb goes, "only when all rivers flow into the sea, can it grow broader; and only when tricklets meet together, can a magnificent vast ocean be formed." We hope that our trickle-like small efforts will eventually turn into ocean-like huge accomplishments and that the Company's value for society will be realized.

Kangda International prioritizes the satisfaction of its stakeholders by fully respecting all stakeholders, actively safeguarding their demands and rights, continuously improving production efficiency and environmental performance, and strengthening communication with shareholders and employees in order to maximize the interests of stakeholders through practical actions.

1.3 Materiality Assessment

1.3.1 Stakeholder Communication

We believe that effective communication with stakeholders is critical to a company's success. The Company engages with stakeholders in a variety of methods in order to understand their concerns, takes proactive action in response to challenges, and evaluates the success of those efforts on a regular basis. The following were the topics of concern to various stakeholder groups, as well as communication and reaction throughout the reporting period.

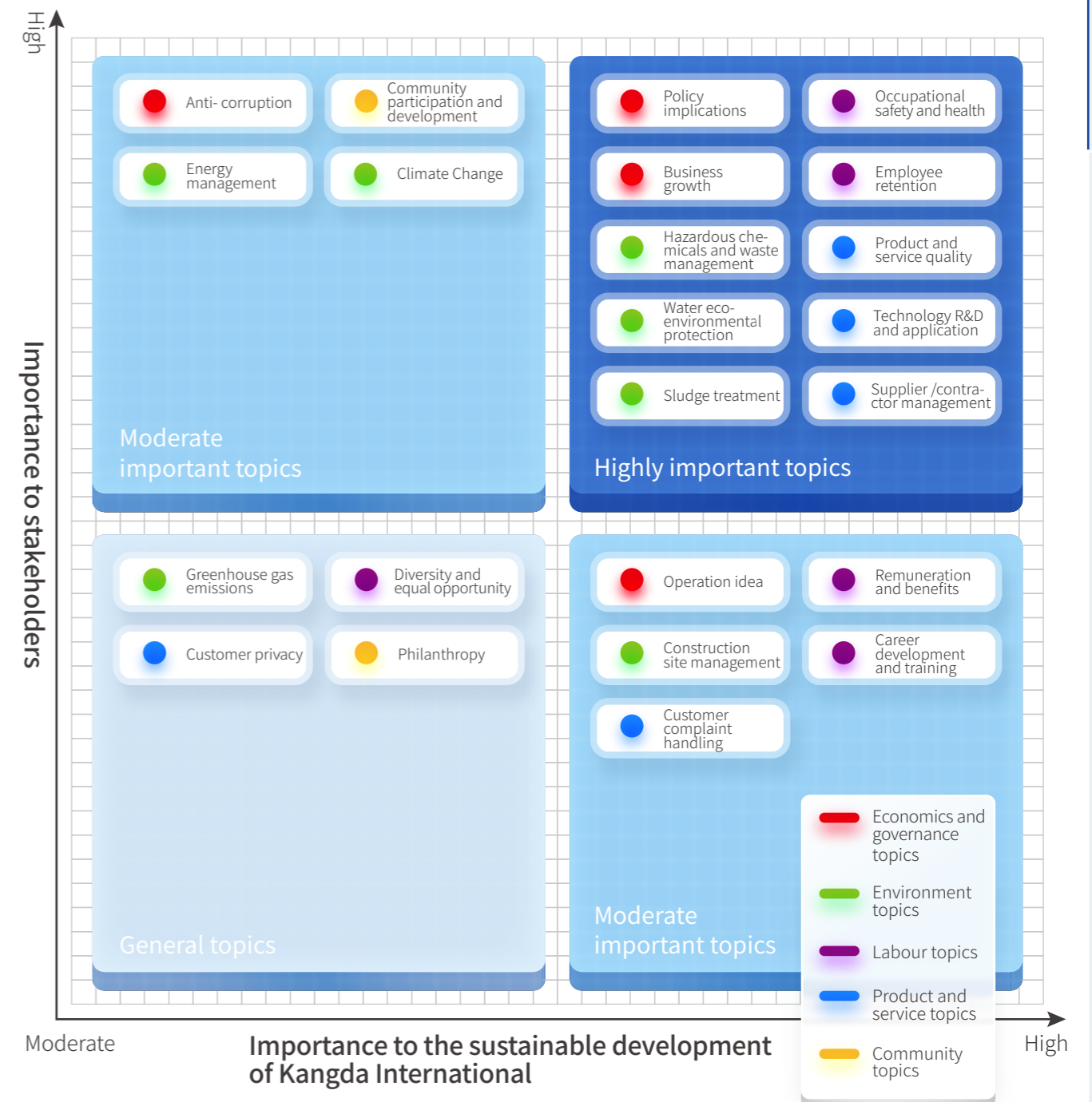


Stakeholders	Topics of concern	Communication and response
Shareholders/ investors	Business growth Policy implications Management structure adjustment Product and service quality Employee retention	General meeting / regular report / interim announcement Real-live roadshow and reverse roadshow Phone call and email correspondence
Governments and authorities	Policy implication Water eco-environmental protection Chemicals management Sludge treatment	Regular report /interim announcement Report and reception Correspondence Field research
Customers	Product and service quality Technology R & D and Application Supplier / contractor management Handling of customer complaints	Hotline Informative feedback Satisfaction survey
Employees	Occupational safety and health Employee retention Compensation and benefits Business growth	Safety training meeting Professional competence training Employee activities Daily communication, internal publicity and complaint feedback
Business partners (including suppliers and contractors)	Supplier / contractor management Business performance Policy implications Construction site management	Open bidding Annual assessment Field research Supplier meeting
Community	Philanthropy Community participation and development support Water eco-environmental protection Sludge treatment	Community events / announcements / press releases Visits and investigations Field research

1.3.2 Materiality Matrix

Kangda International identified a list of material topics for the Company in 2021 based on industry policy trends, current development, and ESG regulatory requirements. Each issue was ranked in order of its impact on the Company's sustainable development and on stakeholders, and analyzed using the year's materiality matrix.

During the reporting period, the Company amended various major topics in accordance with its operating conditions, stakeholder concerns, industry development, and the situation of the COVID-19 pandemic, based on the previous year's assessment of material topics. There were a total of 23 ESG topics found, with 10 being of high importance, 9 being of medium importance, and 4 being of low importance.



1.4 Compliance Operation

Kangda International is committed to developing a sustainable business development model and believes that compliance with the law and integrity are the fundamental guarantees for a company's long-term and steady growth. Kangda International is constantly strengthening its risk management and compliance management systems.

1.4.1 Compliance Management

Kangda International complies with all applicable laws and regulations, including the Anti-Unfair Competition Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, and the Anti-Embezzlement and Bribery Law of the People's Republic of China, and has developed internal management system documents such as the Anti-Fraud Management System of Kangda International, the Employee Reporting Policy, the Internal Audit Management System, and the Code of Business Conduct on Anti-Fraud. In 2021, we executed compliance audits of 21 project companies and special audits on 17 construction projects and 2 employee-reported cases. The Audit Department has urged the departments involved to rectify and issue a rectification opinion report in response to disciplinary and regulatory infractions.

We encourage workers to report any suspected violations of the Company's code of business conduct or standards as we continue to strengthen our compliance management. Employees can report law and regulation infractions to the Internal Audit Department anonymously in two ways: by email or by phone. The Internal Audit Department will swiftly record the submitted information, undertake preliminary verification, initiate an in-depth investigation directly and indirectly, document and summarize the process and results, and prepare an investigation report for submission to the Board of Directors. Based on the investigation report, the Board of Directors will exchange perspectives on how to handle the reported matter with the appropriate departments. Furthermore, to guarantee the safety of whistleblowers, we scrupulously respect their privacy, keep their identities discreet, and only disclose to the Board of Directors when absolutely necessary.

Additionally, the Company places a great priority on increasing staff compliance awareness. During the reporting period, we published the Third Issue of the Anti-Fraud Journal and the Kangda International: Special Issue on Corporate Management Systems and distributed them to employees via the OA (Office Automation) system for reading and learning. At the same time, we provided anti-corruption training to the Board of Directors and workers in order to firmly construct the anti-corruption ideological defense and promote integrity, ensuring that the notion of integrity is deeply planted in their hearts. During the reporting period, Kangda International had no substantial violations of laws and regulations, or corruption-related litigation cases.

Hotline and email address for bribery or corruption reporting

Hotline

86-23-61687966

Email

neishenbu@kangdaep.com

1.4.2 Risk Management

Kangda International places a high premium on risk management. The Company has established a risk management system and a sophisticated risk management organizational system to comprehensively manage the risks it faces in order to better identify and respond to various types of risks and effectively protect the Company's and its stakeholders' interests. Our risk management structure is made up of the Board of Directors, the Audit Committee, the Internal Audit Department, and other functional departments. The Board of Directors is in charge of ensuring the Company's overall risk management is effective, setting enterprise risk management's general objectives, and making decisions to effectively control risks. The Audit Committee is responsible for examining the comprehensive risk management system construction plan and the risk management organization setup plan, as well as delivering the annual comprehensive risk management report to the Board of Directors. The Internal Audit Department is responsible for establishing and revising enterprise risk management policies and mechanisms, establishing anti-fraud mechanisms, conducting risk assessments, and reporting to the Audit Committee on a regular basis as the leading and supporting organization for risk management. The Internal Audit Department coordinates and supervises all functional departments, and have them perform the basic risk management procedures.

Risk Management Structure



In addition to optimizing the Company's risk management structure, Kangda International hired a third-party organization to assess and review its risk management conditions and conducted a risk profiling questionnaire during the year.

For details, please refer to the "Corporate Governance Report" of the 2021 Annual Report.

Innovation for a Better Future



Kangda International insists on ensuring project quality with stringent requirements and standards, constantly reviewing and improving the project quality management system, continuously enhancing the quality management mode through research and development, and application of new technologies, in-depth industry exchanges and cooperation, and securing high-quality growth with the vision of "creating a first-class environmental protection, creating a century enterprise". We collaborate with all parties to achieve a sustainable, win-win future.

2.1 Quality Assurance

Kangda International insists on high-quality delivery and guarantees high-quality growth by establishing a full-fledged project quality management and supervision system, continuously promoting quality standardization, developing stringent quality control measures, and improving its quality management model.

2.1.1 Project Construction

Kangda International complies with national laws and regulations such as the Construction Law of the People's Republic of China, the Regulation on the Quality Management of Construction Projects, and the Compulsory Provisions of Engineering Construction Standards (Building Part), and ensures that qualification documents such as "Construction Project Planning Permit", "Construction Land Planning Permit" and "Construction Permit" have been obtained prior to construction. The Company also ensures strict adherence to quality management system standards.

In terms of construction, we develop and strictly implement the "Three Inspection System" (i.e., team self-inspection, cross-team inspection, and professional acceptance by supervisor), establish a quality review team to regularly supervise construction, improve quality awareness through regular supervision meetings and daily morning meetings, take proactive measures to ensure project construction quality, and relentlessly pursue high-quality project construction. Kangda International has created and implemented a quality management responsibility structure that includes the project manager as the key person directly responsible for quality assurance, the implementation of project quality policies and objectives, and project managers at all levels to implement the quality management responsibility system.

The Three Inspection System

The Three Inspection System refers to team self-inspection, cross-team inspection, and professional acceptance by supervisor, which are conducted on a regular basis in a project. After each inspection, complete inspection records are required to be submitted to the supervisory agent for review. The next process is not allowed to be initiated before the supervisory agent has checked and confirmed the previous process, so as to strictly control construction quality.



To thoroughly supervise and regulate the quality of engineering projects and ensure high-quality delivery, we designed a regular project quality inspection procedure and strictly implemented quality assurance methods throughout the entire cycle and all stages of project construction.

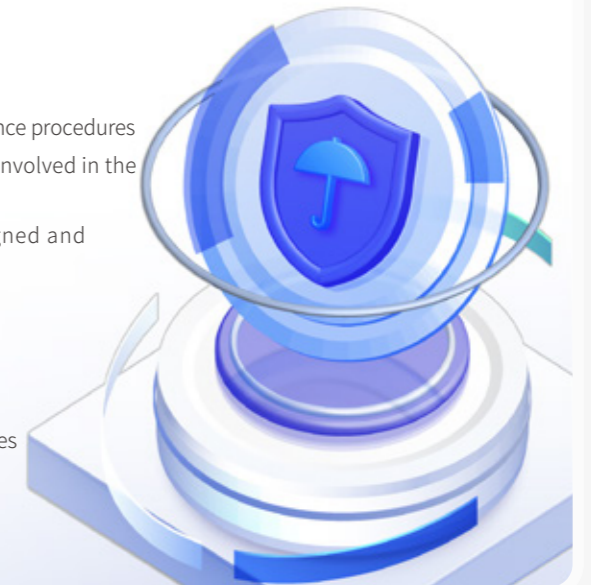


Full-Cycle Quality Control

The Project Department is responsible for quality control during construction, including construction preparation, product purchase, ordering, acceptance, transportation and storage, construction/installation, commissioning, testing, completion and acceptance, to ensure that the quality of the whole project cycle is under control.

Quality Assurance Initiatives in All Stages of the Project

- 01 **Before Construction**
 - Conduct feasibility studies and obtain relevant permits
 - Prepare the work plan and set quality objectives
 - Organize all parties involved in the project to align management requirements and standards, and quality standards of project materials
- 02 **During Construction**
 - Technical workers work with certificates
 - Conduct quality risk monitoring dynamically and make rectifications when necessary
 - All materials are put into use after they have been checked and accepted
 - Organize supervisor meetings and quality inspection on a regular basis
- 03 **Before Delivery**
 - Strictly implement completion and acceptance procedures
 - Get local quality inspection departments involved in the acceptance of important processes
 - Each project should have its properly signed and archived acceptance documents
- 04 **After Delivery**
 - The construction entity is responsible for fixing and following up on the quality issues that occur during the warranty period



Quality is a company's lifeline, and quality management is the top priority of business management. We actively organize quality-related training and promotion activities to increase our staff's understanding of the quality management system and regulations, as well as to raise their awareness of construction quality.

We held the "Quality Month" activities during the reporting period, with each project department actively organizing various thematic activities based on their actual situation. We conveyed the notion of "developing high-quality projects" and improved employees' quality awareness through training on advanced quality management experience.



Quality Assurance

2.1.2 Project Operation

In terms of project operation, we strictly adhere to the requirements of the Product Quality Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, and other laws and regulations. The Company has also developed internal management systems and policies such as the Technical Specification for Operation, Maintenance, and Safety of Urban Sewage Treatment Plant, the Operation Instruction for Equipment in Urban Sewage Treatment Plant, the Operation Instruction for Process in Urban Sewage Treatment Plant, and the Measure for the Administration of Facilities and Equipment. We are committed to ensuring that the effluent quality of sewage treatment plants is up to the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB 18918-2002) through daily site inspections and operational training. Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd. has been certified to the GB/T 19001-2016/ISO 9001:2015 quality management system standard and obtained the CAEPI level-1 industrial wastewater and domestic sewage operation and service ability evaluation certification.



Quality Management System Certificate

Treatment Process for Influent Water Not Meeting Quality Standards

- 01 • Immediately report to the local authorities, and the Company's operation and technology departments when influent quality fails to meet the standards;
 - 02 • Actively cooperate with the local authorities to conduct water quality inspection of influent water;
 - 03 • Compile a written report on the results of the investigation and submit it to the local authorities and the Company's operation and technology departments;
- Initiate the emergency plan for influent water not meeting the standards, and carry out process adjustment measures such as limiting influent flow, activating tanks for accidents, adjusting fan air volume, and internal and external flow, and adding additional strains of bacteria according to the plan.



Moreover, we host operation quality analysis meetings on a regular basis to analyze key indicators, analyze and summarize the previous month's refined management results, and put forward specific requirements for the month to continuously standardize operation management.



Effluent Quality Compliance Objective and Attainment in 2021

- Objective: Effluent Quality Compliance Rate of 100% throughout the Year
- Actual Rate: Effluent Quality Compliance Rate of 99.99% throughout the Year

We have installed online monitoring devices in all sewage treatment plants to better monitor the quality of the influent, effluent, and raw material processing chemicals, and we have developed the process of handling influent not meeting quality standards to better grapple with such a risk and to ensure that the quality of the effluent meets the standards. At the same time, during the reporting period, each operating subsidiary of Kangda International has also prepared the Emergency Plan for Influent Water Not Meeting Quality Standards with its own characteristics, to empower the whole-process control of identifying, investigating, and treating such a problem.

Kangda International had no customer complaints during the reporting period.

Treatment of Influent Water Not Meeting Quality Standards

On November 25, 2021, Kangda International's Wendeng Plant in Shandong Province monitored fluctuating pH in the influent, which caused a serious impact on the biochemical system and sludge deflocculation. We immediately initiated the emergency plan and reported it to the local authorities. After an investigation, we found that the pH of the water discharged by a company in the upstream was significantly higher than the set standard, and the local authorities immediately requested the company to adjust the pH value with liquid alkali. Simultaneously, Kangda International's Wendeng Plant took emergency measures to ensure the stability and compliance of its effluent.



Kangda International's Jiaozuo Water Treatment Plant in Henan Province, with its well-fledged and excellent quality control system and stringent quality control, was awarded the "Advanced Group of Jiaozuo City Wastewater Treatment Plant in 2021" by Jiaozuo City Management Bureau and the "May the First Women's Pioneers of Henan Province Construction" by Henan Provincial Construction Trade Union, and was highly praised as "the first-class in the province" during the on-site inspection by the Central Fifth Ecological Environmental Protection Inspection Group during the reporting period.

2.2 Innovation and R&D

For a company to retain and gain competitiveness, as well as to ensure long-term and sustainable growth, research and development and innovation are essential. We actively explore cutting-edge technologies, invest in innovation and research and development, implement new technologies, and continue to empower the industry through innovation while strengthening our own position.

2.2.1 Promoting the Application of New Technologies

Kangda International sees innovation as an inexhaustible source of sustainable growth, focusing on and actively adopting new technologies while always pursuing progress and innovation. We improved our sewage and solid waste treatment technology and optimized the chemicals used during the reporting period to effectively boost treatment capacity and efficiency while lowering operating costs.

Sewage Treatment: AAO+AO Process

The AAO+AO process ensures the denitrification of the remaining nitrate nitrogen by adding carbon source to the Anoxic and Oxic process after the process in the typical biological tank, based on the traditional biochemical system treatment process AAO (Anaerobic Anoxic Oxic).

In the first AO process, the carbon source in the water is fully utilized to complete denitrification. In the second AO process, the "nitrogen foam" produced by the previous denitrification process and attached to the activated sludge floc is removed to improve the mixture's settleability and prevent the increase of COD_{cr} and BOD₅ concentration induced by the overdosing of the additional carbon source, to ensure that the water quality is stable and up to the standard, while making the effluent have a certain solubility to create favorable conditions for sewage recycling.



Advantages

- Each reaction is repeated at least twice, and each reaction unit has its primary function, and two or three auxiliary functions.
- The process ensures effective nitrogen and phosphorus removal, and is suitable for projects with high effluent quality requirements, especially with TN requirements up to 10mg/L.
- The process is fast in denitrification, as well as precise and lower in carbon source dosing. Therefore, it is suitable for sewage treatment plants in shortage of carbon sources.

Applications

- It has been applied in 9 projects including Liang Yuan Plant, Linyi plant, Gaomi No. 1 Plant, Guangrao Plant, etc., with a water treatment volume of 419,000 tonnes/day.



Sewage Treatment: Optimized Aeration Methods for Biological Sewage Treatment Systems

Optimization means replacing surface aerators such as inverted umbrella aerators and rotating disc aerators by bottom-inlet aerators such as bottom-inlet aeration tube/pan.

Advantages

- Bottom-inlet aeration, with higher oxygenation capacity, ensures evenly-circulated oxygen, improved oxygen utilization, reduced sludge deposition on the tankbottom, and increased energy efficiency, improving oxygenation efficiency and reducing energy consumption.

Application

- It has been applied in Weifang Yuhe Plant.

Solid Waste Treatment: Low-Temperature Drying Technology

The low temperature sludge drying system is equipped with the dehumidification heat pump to dry sludge through hot air circulation, condensation and dehumidification.

Advantages

- The low temperature drying technology reduces sludge moisture to 30%-40% comparing to the original and ensures that it meets the requirements.

Optimization of Chemicals

- The polymeric aluminum chloride (solid) as a phosphorus removal agent was replaced by polymeric ferric sulfate (liquid), reducing monthly cost by about RMB 30,000;
- Quicklime as a sludge removal agent was replaced by a new type (PAM positive), resulting in an annual cost decrease of about RMB 630,000;
- Sodium acetate as a carbon source agent is replaced by a compound carbon source, reducing carbon source consumption per unit by nearly 100mg/L.

2.2.2 Intellectual Property Protection

With the protection of intellectual property rights (IPRs) at the forefront of its mind, Kangda International abides by the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Anti-Fair Competition Law of the People's Republic of China, and other laws and regulations in order to improve IP protection and management. Our IPRs have been managed in accordance with legal compliance, standardized management, and labor division principles. While protecting our own IPRs through trademark registration and patent applications, we've teamed up with a number of other organizations to combat various sorts of infringements. During the reporting period, we appropriately maintained our IPRs, paid patent fees on time, and confirmed the validity of applicable certificates. At the end of the reporting period, we held a total of 21 IPRs, including patents and trademarks.

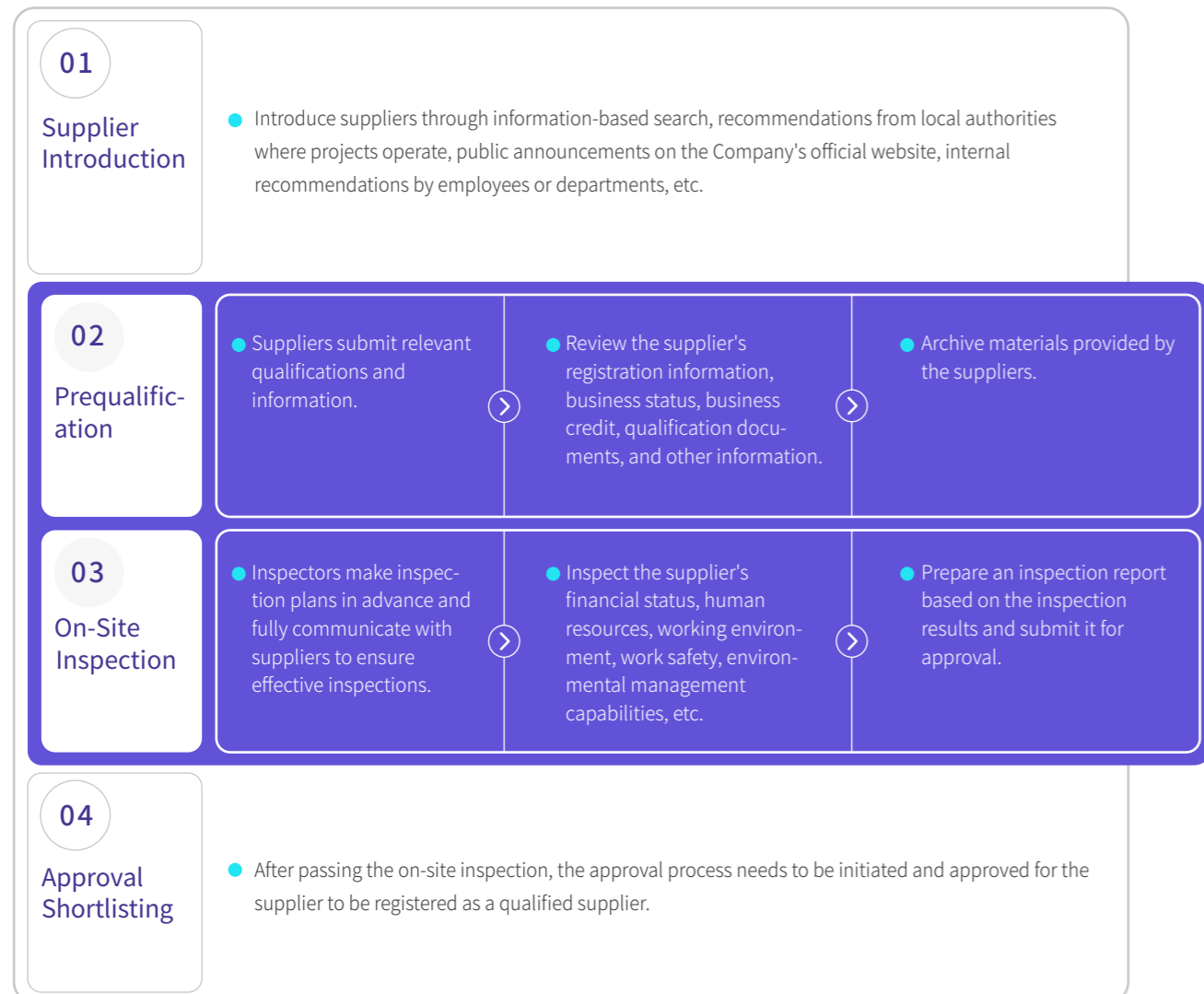
2.3 Supply Chain Management

Kangda International recognizes the value of effective supply chain management in delivering high-quality services and driving business growth. We believe in win-win cooperation and pledge to treat all of our partners fairly and openly. To implement whole-supply-chain control, we closely adhere to the Supplier Management System, Contractor Management System, and other management policies.

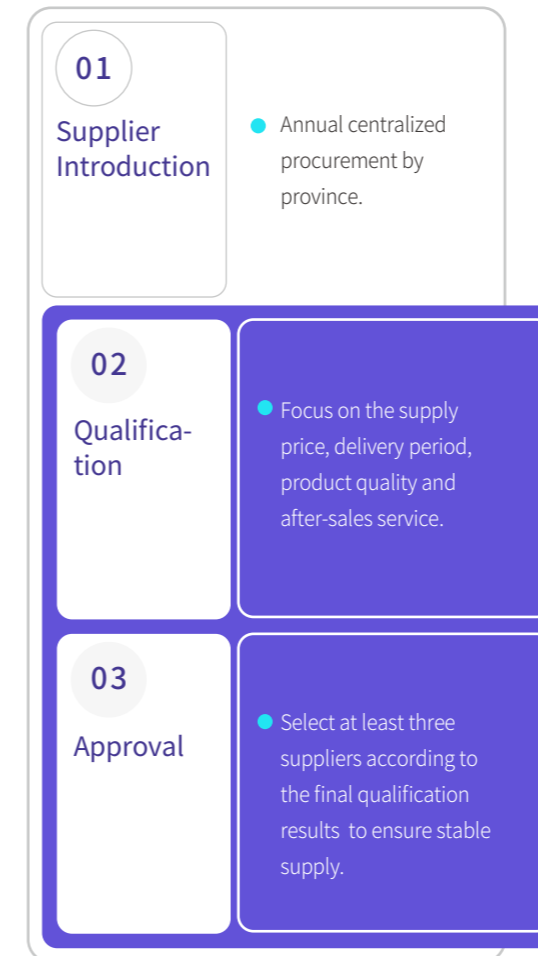
2.3.1 Supplier Management

Our suppliers include equipment suppliers, engineering contractors, and chemical suppliers. During the supplier assessment stage, we assess potential suppliers based on their qualifications, product quality, service price, and quality. Furthermore, ESG-related performance indicators such as environmental management, safety and security, and labor rights and interests are considered important assessment indicators. Suppliers that meet our ESG requirements are prioritized.

Equipment Supplier and Engineering Contractor Access Process



Chemicals Supplier Access Process

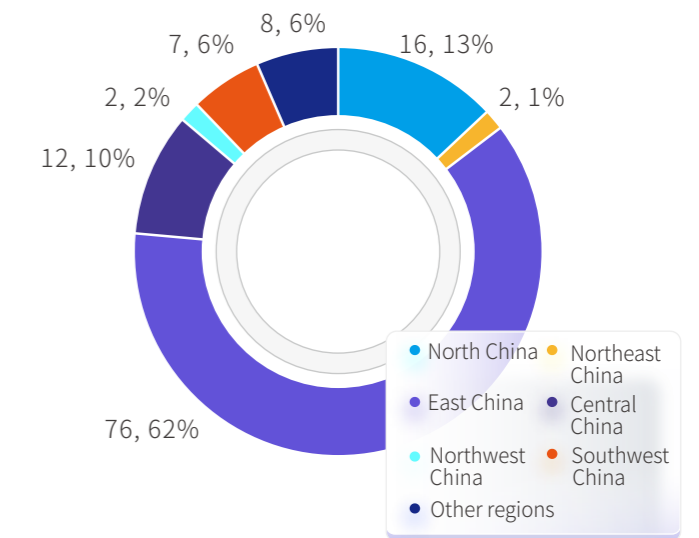


For further quality assurance, we continuously improve our supplier grading management system. After reaching cooperation agreements with suppliers, we assess and evaluate them in terms of quality management, safe and civilized construction, delivery schedule, contract performance, and after-sales service. Our assessment and evaluation mainly include three stages: during cooperation, after cooperation, and an annual review. According to the assessment results, the suppliers are divided into four categories: strategic, qualified, unqualified, and blacklisted. We will promptly remove those that fail to meet the requirements and continuously optimize the Company's pool of suppliers.

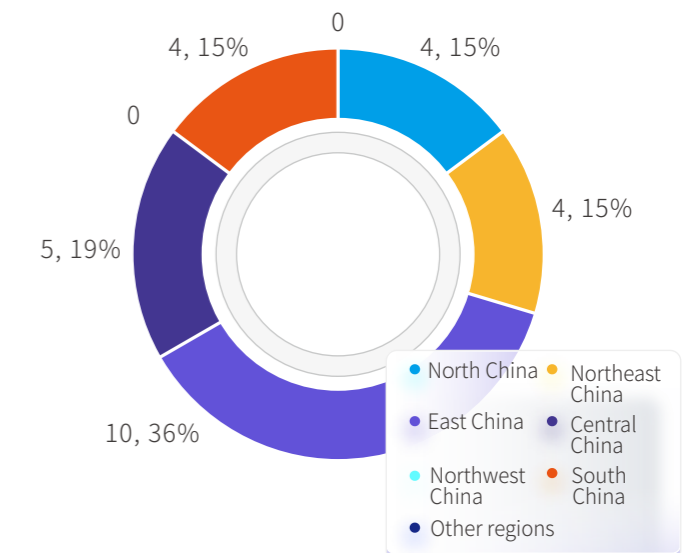
Suppliers that engage in misconduct, serious negligence, or failure to fulfill their contractual responsibilities and obligations, resulting in a negative impact and loss to the Company during cooperation, will be added to the supplier blacklist, and the relationship will be terminated. At the end of the reporting period, we had 201 suppliers, which were allocated^② as follows:

^② Other regions: regions that exclude North China, Northeast China, East China, Central China, Northwest China, and South China.

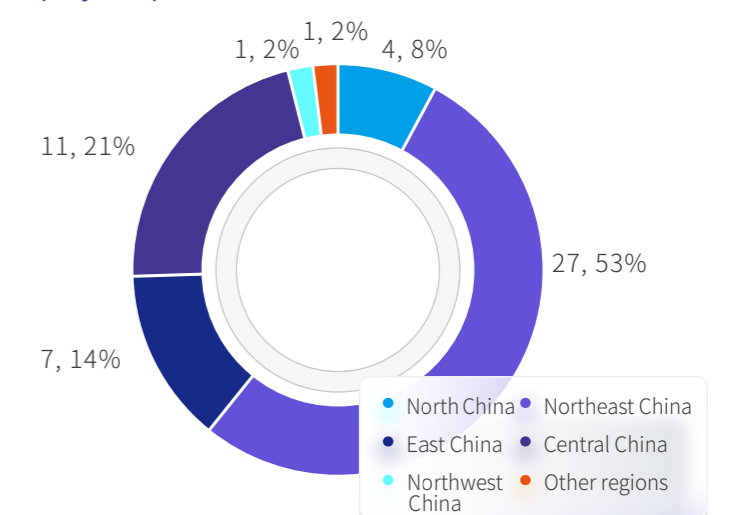
Distribution of equipment suppliers during project construction



Distribution of engineering contractors during project construction

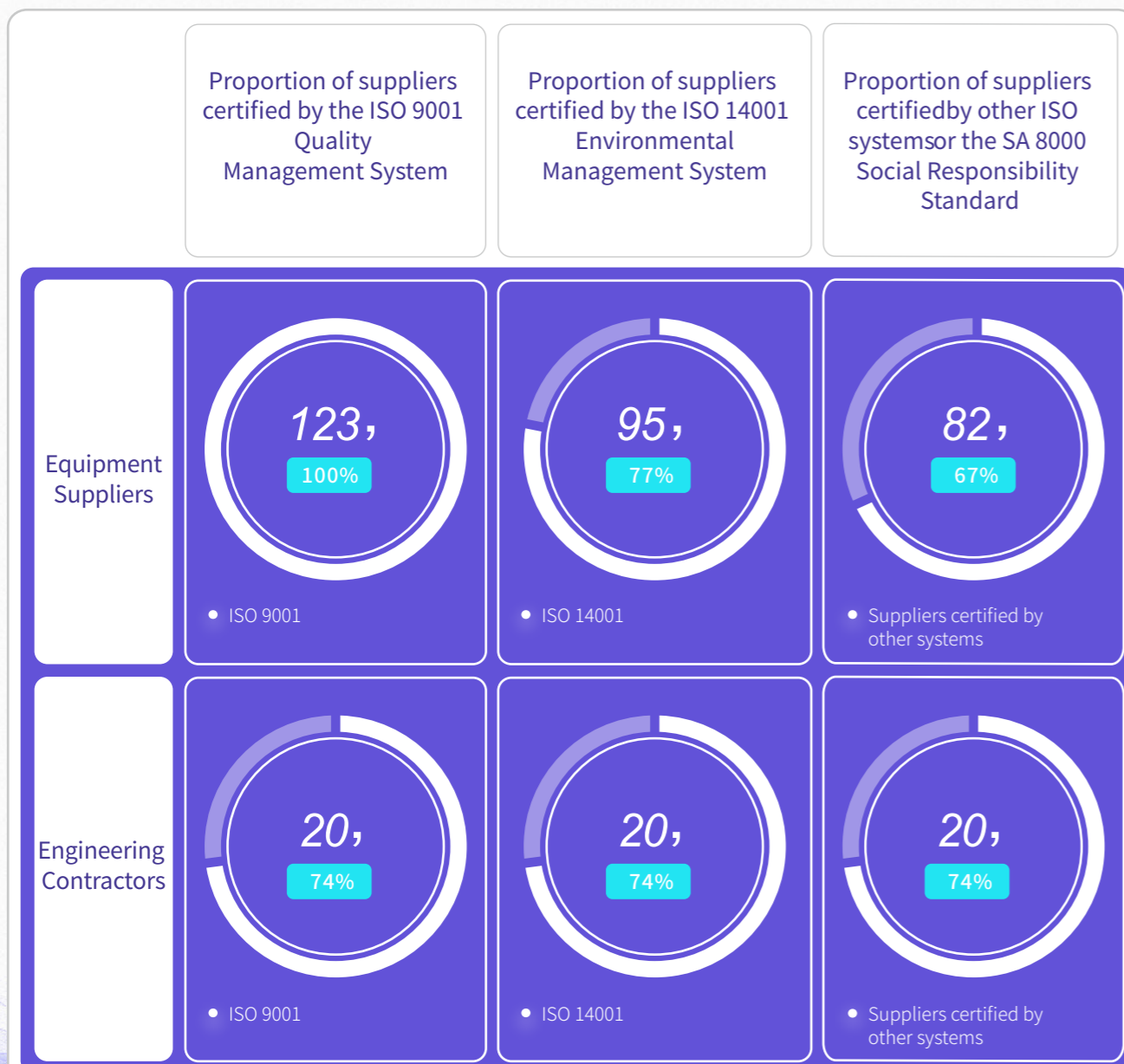


Distribution of chemicals providers during project operation



Supply Chain Management

Proportion of Certified Suppliers during Project Construction



We have been in open communication with our suppliers through various means to reduce supply chain-related risks while facilitating our cooperation and communication. We work to build a mutually supportive and win-win cooperation atmosphere through active communication in daily cooperation and various forms of supplier communication and exchange activities.

2.3.2 Supplier Integrity Management

We advocate transparent procurement and are adamant in our opposition to unfair competition and corruption in procurement and supplier performance. We include anti-corruption sections in project contracts with suppliers, outlining any potential malpractices on both parties' parts during the contract signing and procurement process, as well as their respective responsibilities and obligations in maintaining a good industrial environment. We incorporate business ethics into our assessment criteria throughout the cooperation period. The Company also adopts a zero-tolerance policy toward suppliers with dishonest behavior or who violate the relevant clauses of the compliance commitment letter.

2.3.3 Centralized Procurement of Chemicals

Kangda International established a cross-departmental chemicals procurement and bidding team, which integrated chemicals suppliers, conducted comprehensive assessments, and developed a chemicals suppliers pool to ensure business continuity, in order to ensure a stable supply of chemicals. We ensured the stable supply of chemicals for all wastewater treatment plants, despite the recurring COVID-19 pandemic, floods in Henan Province, and increases in all chemical raw material prices, thanks to the centralized procurement's unified coordination and management of the winning bidders. We also ensured the quality of chemicals, as most of the winning suppliers are primarily manufacturers. Chemicals used in the Company's existing projects dropped in quantity and price throughout the reporting period. Despite rising raw material prices, the cost of the majority of centrally supplied chemical agents remained unchanged, saving nearly RMB 12 million. Chemical agents purchased centrally accounted for nearly 90% of the total purchased by the Company's sewage treatment facilities by procurement cost at the conclusion of the reporting period. In the future, the ratio will be increased to 100% in order to lower procurement costs while maintaining supply quality and consistency.

2.4 Industry Leadership

Kangda International is committed to promoting communication and collaboration with the industry and regulators, strengthening external cooperation with schools, businesses, government and other sectors, participating in industry exchanges, jointly nurturing industry talent, and promoting the optimal allocation of resources and the common progress of the industry.

2.4.1 Industry Exchanges

As the vice president of the China Association of Environmental Protection Industry, Kangda International actively participates in various industry activities to exchange experience with its peers, understand the development of cutting-edge technologies, and share its own experience to offer inspiration for future technological development and application, empowering synergistic and efficient industry growth.

2021 China Ecological Environment Industry Summit Forum

Kangda International attended the 2021 China Ecological Environment Industry Summit Forum, and involved in discussions which covered topics including industry transformations in the context of carbon neutrality, how environmental enterprises can help achieve carbon neutrality, future deployment in key areas, the trend of building industrial ecology, and other hot topics.



At the conference, Kangda International was again among the top 50 environmental enterprises in China because of its remarkable performance and with a significantly improved ranking. This is the fourth time that Kangda International has been on the list since the first time in 2018, and the Company has been successfully selected four times in a row.

Winning this award for four consecutive years is both a recognition of Kangda International's efforts to continuously strengthen business capabilities, optimize operations and management mechanisms, and contribute to the construction of green ecological civilization, but also an acknowledgement of the impressive performance achieved by all its employees guided by the notion of "water-centric contribution to society".

2.4.2

Exchanges with the Government

The development of the sewage treatment industry cannot be possible without the guidance and supervision of the government. The central and local governments show their concern and emphasis on the construction and operation projects of Kangda International. The Company also strongly supports the water management policies of governments, operates under the supervision and guidance of governments at all levels, and continues to provide high-quality public utility products. We received on-site inspections, work guidance, and visits from various provincial, municipal, and district governments and ecological and environmental-related departments during the reporting period. At the same time, we took the opportunity of on-site communication to share our operation and management experience and the application of advanced technologies, and to discuss how to collaborate with various departments to jointly construct public utility infrastructure, boost local economic growth, and safeguard the clean water and blue sky in the local community.



● Representatives of Zhengzhou Municipal Ecological Environment Bureau, Xinzheng Municipal Ecological Environment Bureau, and Zhengzhou Environmental Science Institute Visited the Sewage Treatment Plant Located in the Xingang Industrial Cluster




● Suihua Municipal Party Committee Secretary Zhang Baowei Visited Suihua Plant to Investigate its Production, Operation, and Upgrading Projects



● Jiangxi Provincial Government Representatives Visited Fuzhou Sanjiang Wetland Ecological Restoration Project to Offer Guidance

Talent Development



Kangda International firmly believes that employees are critical to the sustainable development of a company. We are dedicated to providing a fair and equitable workplace for our employees, as well as safeguarding their rights and interests, ensuring their unrestricted growth and career paths, and offering a safe, healthy, and comfortable workplace for the Company and its employees to pursue mutual growth in harmony.

3.1 Employee Employment

Kangda International is committed to developing a full-fledged recruitment system and standardized management process, to ensure employees' equal access to career development opportunities, and safeguard their legitimate rights and interests.

3.1.1 Legally Compliant Employment

Kangda International has placed great priority on open, fair, and transparent recruitment and safeguarded employees' legitimate interests with a "value creator-oriented" concept. We strictly abide by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, the Regulation on Work-Related Injury Insurance, and other laws and regulations, and have developed and refined internal systems such as the Staffing Management System, the Recruitment Management System, and the Employee File Management Measures to standardize recruitment procedures and ensure a comprehensive protection system for all employees to realize their worth. By 2021, all of our employees had signed labor contracts and were insured by social insurance.



3.1.2 Standardized Management

In the aspect of recruitment, we follow the concept of "open plans, open positions, fair process, fair evaluation, and equitable employment" to recruit talent. Stringent audit procedures have been put in place to ensure fair and transparent recruitment, which is complemented by a multi-level screening process, and to better build talent echelon in key roles. At the same time, the Company has partnered with third-party online recruitment platforms to continue to acquire talent through a variety of channels.

Recruitment Process

- 01 • Report Recruitment Needs
- 02 • Recruit
- 03 • Hire New Employees
- 04 • Approval by the Headquarters



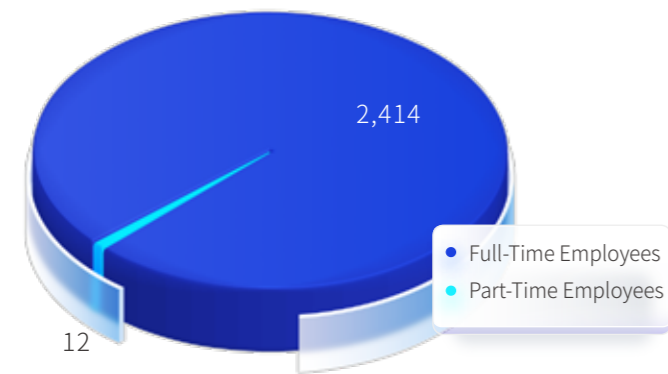
In terms of labor recruitment principles, Kangda International adopts a zero-tolerance attitude to child labor and forced labor. We strictly abide by the Law of the People's Republic of China on the Protection of Minors, the Provisions on the Prohibition of Using Child Labor, and other laws and regulations, and have established a special management department to continuously standardize the approval process to prevent child labor and forced labor at the source. At the same time, employees are encouraged to report violations and corresponding whistleblower protection measures are introduced to take action promptly, openly and fairly. The Company had no illegal employment practices such as child labor or forced labor during the reporting period.

Employee Employment

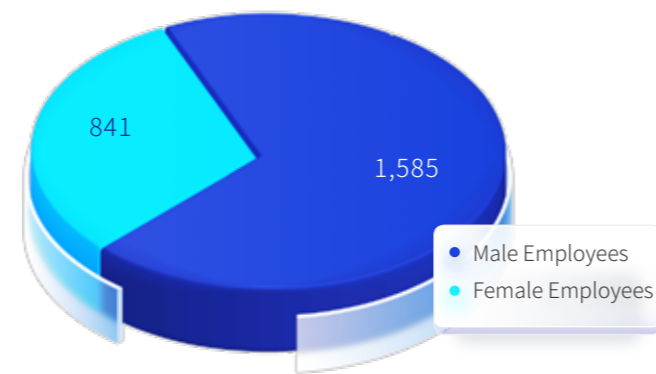
3.1.3 Workforce

We had a total of 2,426 employees during the reporting period, with detailed data shown as follows by employment type, gender, age, job category, and region respectively.

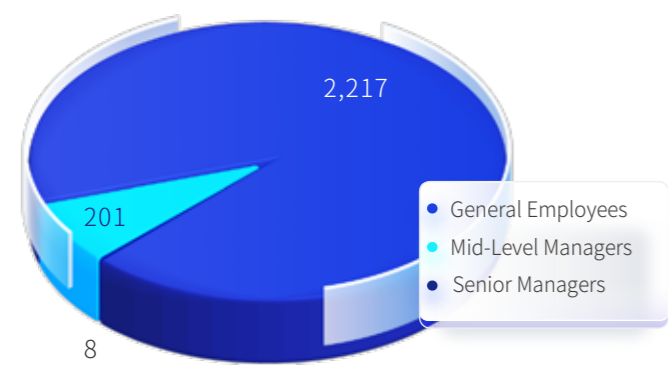
Number of Employees by Employment Type



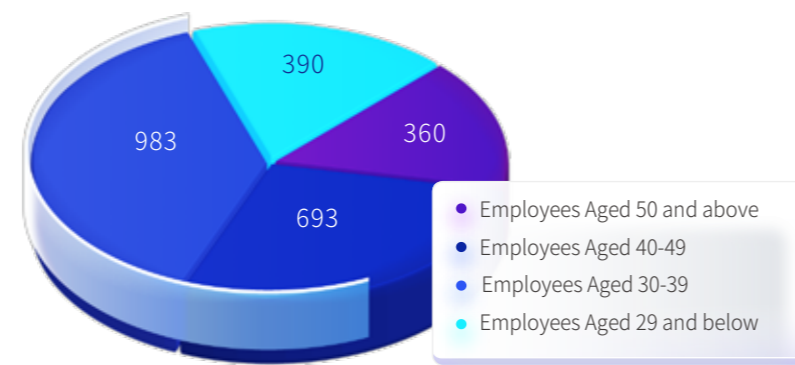
Number of Employees by Gender



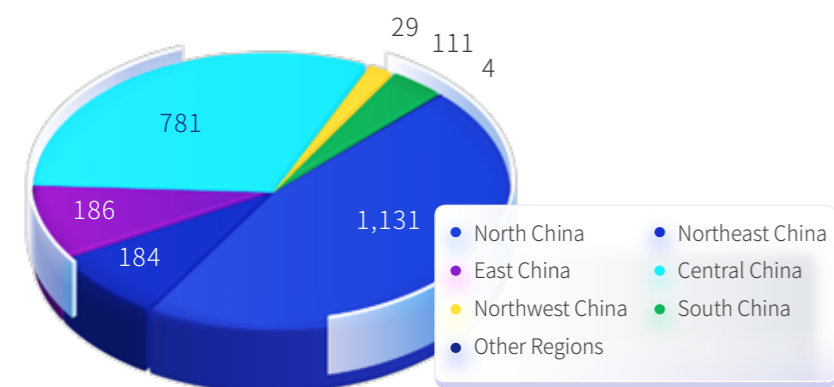
Number of Employees by Job Category



Number of Employees by Age



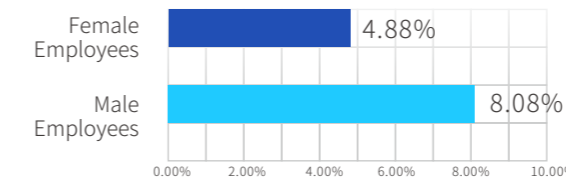
Number of Employees by Region



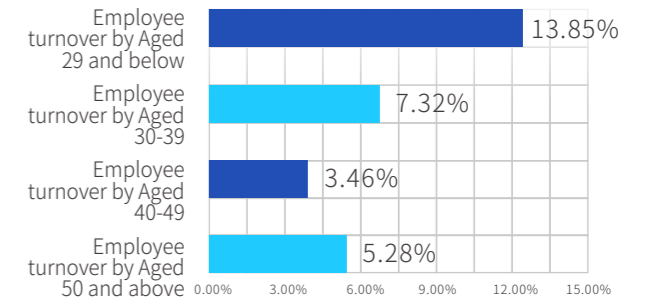
We have placed a high value on talent retention, and understand that a stable workforce is conducive to the Company's growth. Our overall turnover rate^③ was 6.97% in 2021, with detailed data shown as follows:

Kangda International's Employee Turnover Rate

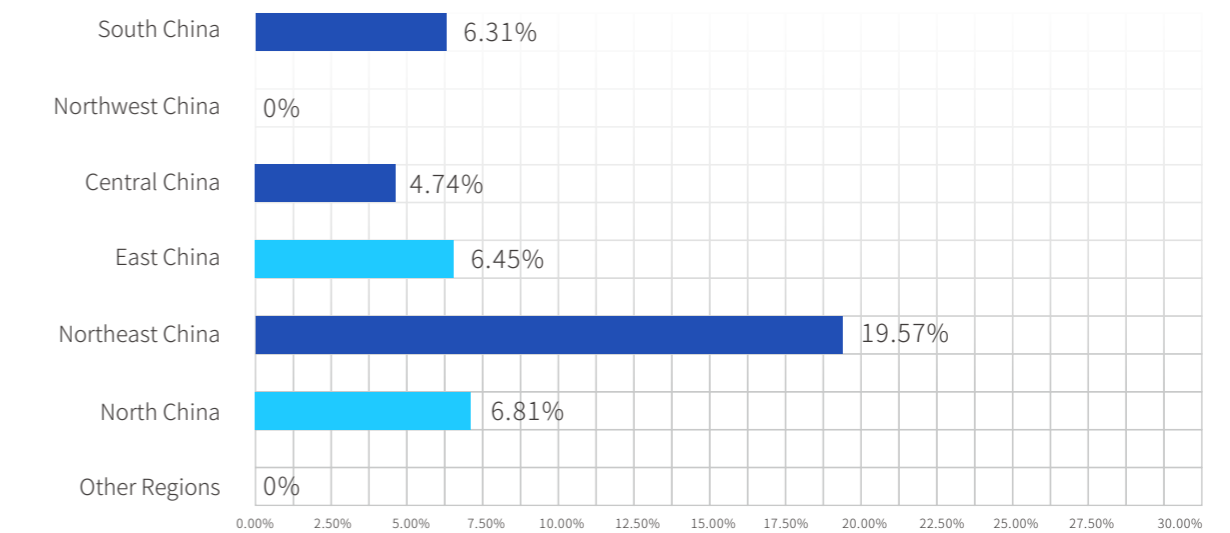
Turnover Rate by Gender



Turnover Rate by Age



Turnover Rate by Region



3.1.4 Diversified Employment

We have always believed that diversity is vital to Kangda International's sustainable development, insisting on equality in the workplace and working to build a work atmosphere that fosters mutual respect, tolerance, and mutual assistance, to increase our employees' happiness and satisfaction. To protect employees' basic human rights and different career paths, we prohibit any type of discrimination or screening in recruiting and promotions based on gender, ethnic origin, religion, social status, or other considerations.

^③ Turnover rate is defined as the ratio of employees who left a company to the total number of employees on December 31, 2021.

3.2 Employee Development

Kangda International insists on putting talent at the core of its development, and is committed to assisting employees to enhance their professional expertise and comprehensive capabilities through a continuously improved salary management system, strong talent training resources, unrestricted career development paths, and diverse and comprehensive talent development incentives in order to help employees realize their value.

3.2.1 Salary and Performance

We have strictly adhered to local laws, regulations, and policies in places of operation, developed a salary management standard system based on Kangda International's present situation, and offered employees competitive salary packages that include performance-related pay, seniority-related pay, bonuses, and other benefits in addition to the basic salary, ensuring that all employees are rewarded for their efforts. During the reporting period, we optimized and revised relevant salary and performance policies and systems, such as the Performance Assessment Management Measures for Member Companies, the Regulations on Compensation Management of Member Companies, and the Rules for Assessment of Dispatching Financial Employees (For Trial Implementation), as well as updated the rules and changed the frequency of the operation system's assessment based on our business priorities and current developments, so as to improve the overall human resources management with better rules, encourage employees and business teams to actively improve their capabilities, work to create an open, fair, and healthily competitive working environment, and unleash employees' enthusiasm and creativity.

Optimized Compensation and Performance Management System



The quarterly assessment of the member companies' management team was added, to optimize the principle of allocating annual performance bonuses, and revise the performance assessment indicator interpretation.

The proportion and the form of the management's performance salary of member companies were revised in line with the Performance Assessment Management Measures for Member companies.

The performance assessment criteria and results application dispatching financial employees was standardized.

3.2.2 Employee Development

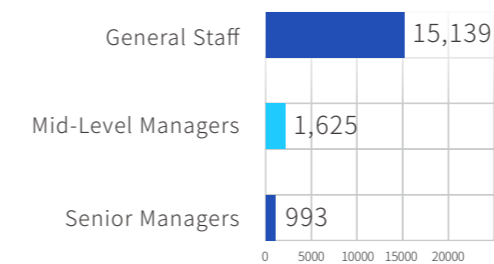
Employee Training

Kangda International developed the Training Management System (Revision) based on the characteristics of internal structure, allowing all departments to make full use of internal and external trainers to conduct various training projects tailored to their needs. Compulsory, optional, and special training courses encompass a diverse training system that includes vocational skills training, leadership training, management communication training, and so on, with the aim of improving employees' overall quality and aptitude. The use of tests is also encouraged to motivate employees to learn and apply what they have learned, ensure that the training is delivered properly and professionally, and urge employees to learn and grow constantly.

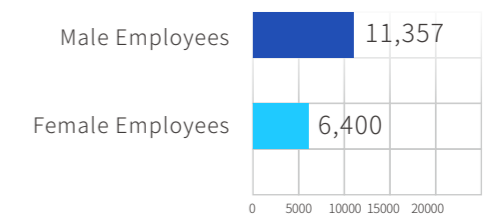
During the reporting period, Kangda International offered a total of 17,757 person-times, with 35,634 training hours in total and an average of 14.7 hours per person.^④

Kangda International's Employee Training

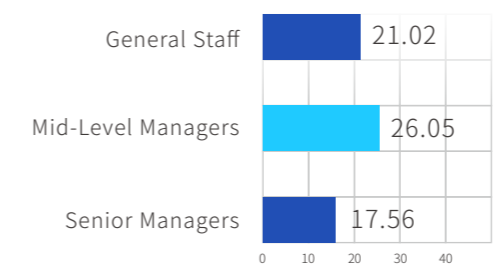
Training Person-times by Job Category



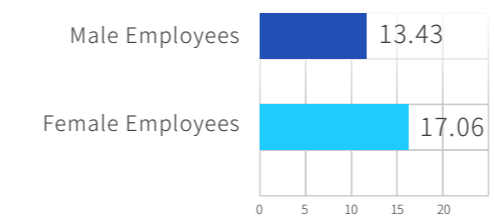
Traning Person-times by Gender



Training Hours per Person by Job Category



Training Hours per Person by Gender



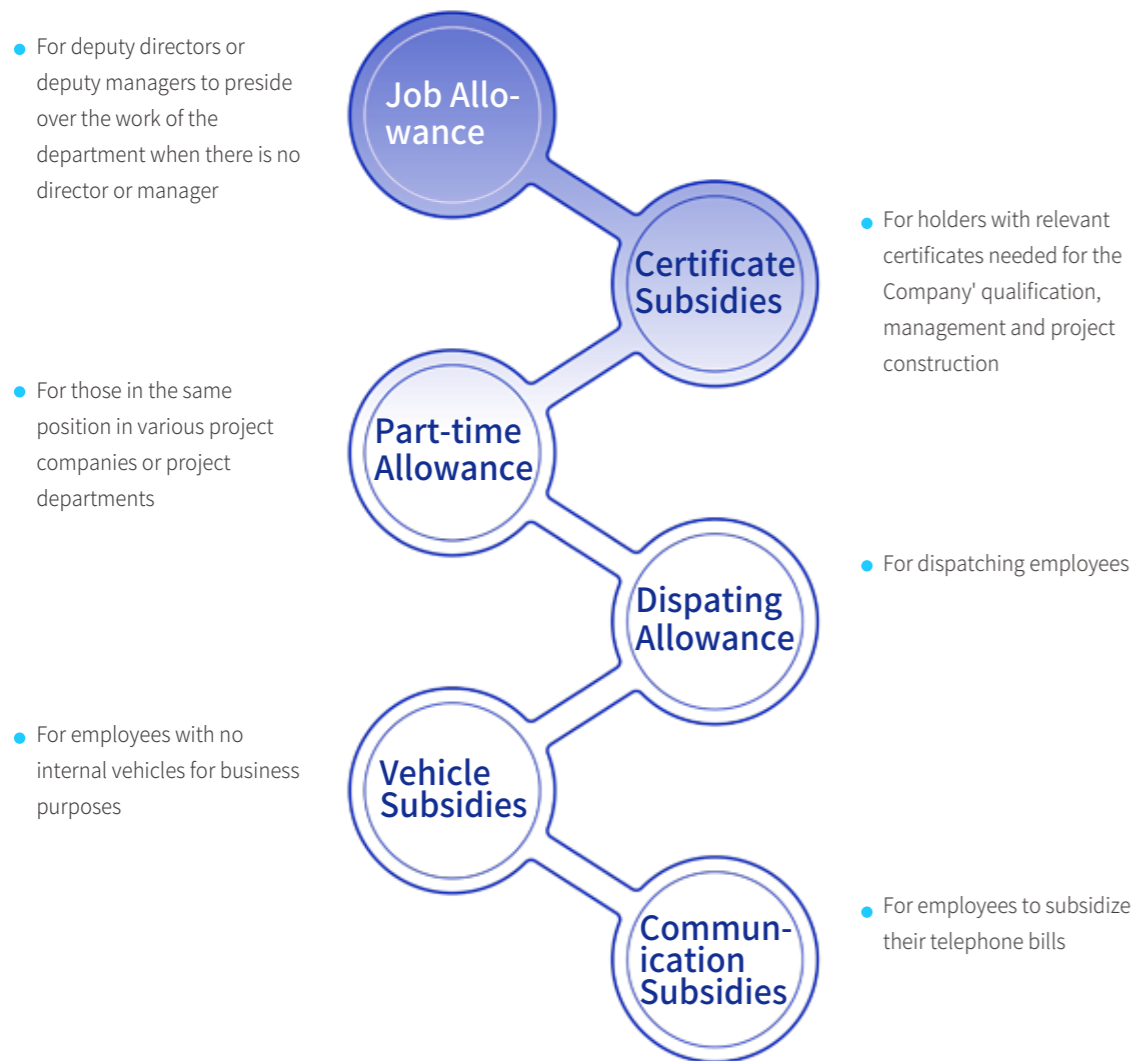
^④ The percentage of trained employees by gender and employment type will be disclosed after comprehensive statistics are available.

Employee Development

3.2.3 Career Development Support

To encourage employees to learn and become more professional, we released the Subsidy Standards and Implementation Measures, which gives subsidies for advanced learning and job-related certification examinations.

Career Development Subsidies



As a result, Kangda International and its subsidiaries had 6 Class-1 registered qualification certificate constructors, 4 Class-2 registered qualification certificate constructors, 3 Class-1 cost engineers, 2 Class-2 cost engineers, 2 with medium professional certificates, 5 with junior professional certificates, 8 with Safety Officer B Certificates and 5 with Safety Officer C Certificates, and 13 with Certificates for Construction Worker Qualification in eleven job categories in 2021, which provided strong support for the Company's professional capacity.



3.3 Employee Care

Kangda International has built a comprehensive employee welfare system to nurture a safe and comfortable working environment as well as a variety of benefits to care for employees in order to keep them enthusiastic about their work and boost their feelings of identity and belonging.

3.3.1 Employee Welfare

Kangda International strictly adheres to the Labor Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, and other laws and regulations, and has formulated and refined the Regulations on Salary Management for Member Enterprises (Revision), as well as continuously strengthens the overall planning of welfare policies such as insurance and holiday allowances, to provide various employee welfare benefits, such as coupons and heating subsidies, to offer various benefits to employees, and enable the Company's revenues to increase alongside such benefits.

The Company has a table tennis room and a football team, and regularly organizes sports competitions that help strengthen employees' physical strength and foster closer ties within the Company and with the community. The Company also has a gym for all employees, and the office building's roof garden is regularly maintained so that employees can take a relaxing stroll and work out in the garden during their lunch break.

We care about our employees and their families. We give gifts to employees with children under the age of 14 on Children's Day, allowances to female employees on Women's Day, and birthday benefits to all employees. In addition, if an employee or a member of their immediate family passes away, the trade union will gather colleagues to express condolences and express our concern for the employee.

3.3.2 Employee Communication

We have set up two channels for clarification and reporting, using questionnaires, employee suggestion boxes, email, hotlines, and other methods to actively listen to employees' opinions and provide feedback. Every reasonable reported case is independently investigated based on the principles of truthfulness, confidentiality, and effectiveness, and necessary follow-up steps are performed after the whistleblower has been adequately protected. During the reporting period, we conducted investigations and interviews with our employees.

Initiatives for Employee Communication

Investigations

- We conducted investigations in our subsidiaries and employee surveys on labor contract management, annual leave and other aspects.

Interviews with Employees

- We conducted interviews with employees at the work site, listen to their actual demands, to understand their actual situation, and develop a talent pool for managerial roles.



Employee Care

3.3.3 Employee Satisfaction Survey

Kangda International values its employees' happiness and satisfaction and strives to address their demands in order to improve their well-being. We urge managers at all levels to actively listen to their employees' voices. The Management Measures for Employee Complaints and Satisfaction Surveys, which uses questionnaires and interviews to collect data on employee satisfaction, was created and distributed. During the reporting period, we conducted on-site research on employee satisfaction with salary reform in 9 subsidiaries to understand their suggestions and demands on salary and performance, actively responded to their opinions, and continued to optimize systems and management to improve their sense of satisfaction.

3.3.4 Employee Care Activities

Kangda International understands that a warm and harmonious working environment is critical to improving the Company's cohesion and employees' sense of satisfaction. Therefore, we continue to carry out employee care activities to provide warmth, subsidies, and assistance to employees in difficulty.

Hiking on International Women's Day

The Company organized Zhaomu Mountain hiking, themed "Zhaomu Mountain hiking amid the spring breeze and the magnificent landscape of the two rivers" in Chongqing City, to enrich employees' cultural life, enhance their sense of belonging and cohesion, advocate a green lifestyle by getting close to nature, increase their physical exercise, and ensure that female employees enjoy a warm and pleasant holiday.



Chairman Li Zhong Conveyed Care to Front-Line Employees

In February 2021, Chairman Li Zhong visited Zhengzhou Xinzhou Xingzhong Water Co., Ltd., Xinzheng Xinkang Water Co., Ltd and Kangda (Xinzheng) Water Co., Ltd. for research and guidance, and visited and conveyed care and New Year wishes to the front-line managers and employees who were working hard in the workshops in the cold winter.



Donation

When a colleague of the Qishan project construction center was suddenly diagnosed with acute lymphoid leukemia, the Company advocated all employees to follow the traditional corporate culture of offering a helping hand to those in need just as water nurtures everything, and the spirit of mutual assistance and love, raising a total of RMB 140,210.



3.4 Employee Health

Kangda International always puts employees' health and safety first, and strictly implements the requirements related to labor health and occupational diseases to create a healthy and safe working environment and ensure employees' occupational health and safety.

3.4.1 All-Around Management

Kangda International complies with applicable laws and regulations, such as the Labor Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, and the Regulations on Occupational Injury Insurance. The Company has also developed the Occupational Health and Safety Management System to actively implement labor hygiene, occupational disease prevention and control, and enhance employee protection with a full-fledged occupational health management system.

To protect health and safety, the Company issued a Safety Responsibility Letter and conducted a safety objective and responsibility assessment. The following are the overarching goals and if they had been achieved in 2021:

Safety and Health Objectives	Completion
No serious safety accidents and work safety accidents throughout the year	Completed
Zero work-related injury or death throughout the year	Completed

During the reporting period, the Company took a variety of initiatives in safety management during the reporting period, such as optimizing the management system, executing safety notices and hosting regular safety meetings.

- 01 Management System Standardization**
 - Continuously optimize the safety management system, and further standardize the systems related to safety, work, equipment, etc. The preliminary preparation has been completed.
- 02 Fully-Covered Safety Notification**
 - Issue safety-related notices throughout the year according to different time periods and various issues;
 - A total of 8 safety notices were issued throughout 2021, covering chemical agent quality, thermal preservation in winter, flooding in summer, typhoons and other seasonal events, as well as pandemic prevention and control, safety during holidays, etc.
- 03 Regular Safety Meeting Hosting**
 - Each operating company is required to host at least one regular safety meeting every week to summarize and grapple with problems in the safety system, training, random inspections, potential safety hazard investigation, etc.

During the reporting period, Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd. obtained the GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Management System Certificate.



Occupational Health and Safety Management System Certificate

3.4.2 Work Safety

We continuously optimize and improve our construction operations and management systems with the core notion of "safety first". During the reporting period, we specified the responsibilities for production and construction safety management through the signing of the Safety Responsibility Letter, to further standardize management measures for work safety. During project construction, we identify safety risks on a regular basis, formulate relevant control measures, and further identify risks of hazardous operations to ensure work safety based on procedures such as the List of Dangerous Equipment, Facilities and Environment, the List of Posts Involved in Dangerous Operations, the List of Hazard Identification and Assessment, the Summary of Major Hazards, and the Description of Major Hazard Control Measures.

During the reporting period, we optimized the Administrative Measures for the Addition and Use of Chemicals and the Chemicals Safety Management Regulations, refined the requirements for chemical storage in inventory management and added emergency plans for toxic and hazardous chemical substances leaks. Simultaneously, we arranged our subsidiaries to study the regulations related to chemical agent usage, storage, and emergency response, and we urged them to include chemical agent leaks in the safety emergency drill plans in 2022.



Employee Health

3.4.3 Occupational Health and Safety

To reduce occupational health risks and ensure employee health, we always apply occupational health and safety standards and management procedures in earnest to all employees. Employees are given annual health checks and occupational disease checks every two years, and Kangda International encourages them to adopt good personal hygiene habits. In addition, we have actively advocated for employees to increase their awareness of prevention, and we have developed requirements and measures for occupational risks such as microbial hazards, chemical hazards, toxic and hazardous gases, and electricity safety to reduce employees' occupational health risks. Over the last three years, there have been no work-related deaths at Kangda International.

Kangda International's Occupational Health and Safety Indicators

Occupational Health and Safety Indicators	2021
Employees with Work-Related Injuries	11
Lost Hours Caused by Work-Related Injuries	4,377
Traffic Accidents during Work Commuting	5

3.4.4 Emergency Management and Safety Training

Kangda International is constantly improving the emergency management and safety training system. To safeguard the Company's work safety, we hold frequent safety production scheduling meetings, conduct regular inspections and potential risk rectification based on equipment safety levels, implement emergency control plans, and hold various emergency exercises. Furthermore, we strictly adhere to the relevant requirements of the Work Safety Law to ensure that site workers meet the training qualification standards before they start work, according to the three-level safety education, training, and assessment system. We hold regular pre-shift safety lectures, host monthly safety meetings to analyze current safety management priorities and difficulties, and provide various safety training and inspections to ensure that workers properly wear protective gear and pursue safe construction.

In 2021, Kangda International created a safety drill and training plan that includes, among other things, operation safety training, electric shock and fire drills, and first aid safety training. Drills on key topics such as pandemic emergency and first aid emergency have been conducted in all Kangda International operating companies, ensuring that each of them conducts safety drills at least once a quarter and encouraging employees to master safety and emergency response skills for a variety of disasters and emergencies. During the reporting period, the Company held a total of 153 safety drills and training activities.

Work Safety and Management Training

In 2021, Kangda Environmental Protection (Shangqiu) Water Co., Ltd. organized work management training for all employees, involving training on measures for unusual influx of water emergency, hazardous operation standards, electric shock and fire prevention measures and emergency drills.



First Aid Safety Training

In June 2021, we invited the Blue Sky Rescue Team in Weihai City, Shandong Province, to offer training for our employees, to further popularize first aid rescue knowledge and improve their ability. This training primarily includes CPR demonstration, Heimlich maneuver training and first aid education.



Limited Space Operations Training and Drills

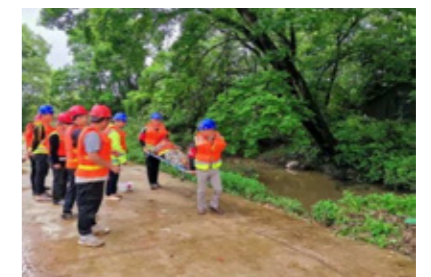
During the reporting period, we conducted quarterly limited space operations training for all Operation Department employees, including on-site training on limited space operation procedures, workplace types and risk levels, toxic and hazardous gas types and protection methods, and safe equipment and facility operation.



On October 21, 2021, to improve employees' safety awareness and ability to deal with emergencies, we hosted a limited space emergency drill at the sewage well of the Kangda Environmental Protection (Shangqiu) Water Co., Ltd. plant, to simulate pipe dredging in the inspection well. During this drill, the operators operated in accordance with the limited space operations approval form process to implement the emergency plan in the event of lower oxygen concentrations in the well. The injured were promptly rescued and sent to the hospital.

Flood Drill

On April 27, 2021, Kangda International held a flood prevention and rescue drill to strengthen employees' abilities to prevent floods and rescues, as well as optimize organizational measures. This drill helped us ensure that our construction workers can master the core skills and measures required in the emergency plan before a flood occurs or in the early stage of a flood, minimizing the damage caused by natural disasters, testing the completeness and operability of the emergency plan for flood control, and improving employees' overall emergency response ability.



Electric Shock First Aid Drill

In June 2021, Kangda International organized an electric shock first aid drill in the power distribution room, to show employees how to deal with a dangerous electric shock caused by unprofessional operation or unforeseen factors, to reduce casualties and property losses.



Fire Drills

In August 2021, to strengthen fire safety awareness across the factory, Kangda International organized fire drills, including self-rescue evacuation drill, firefighting equipment inspection and usage, which improved the staff's firefighting capabilities to rescue themselves and use relevant equipment.



3.5 Pandemic Prevention and Control

During the global COVID-19 pandemic, Kangda International has taken on its social responsibility to create a safety barrier for employees and the local community by adopting regular preventative and control measures in compliance with national and local policies. We continue to take steps to standardize our preventative and control measures, such as arranging for employees to be vaccinated and keeping track of the total number, strictly managing employees from other areas to prevent new cases and establishing an office building access management system in accordance with the requirements of relevant local government departments.

In daily operations, we have implemented a range of such measures in our everyday operations and will continue to implement necessary promotions to safeguard the health and safety of our staff. We have currently ensured that all eligible personnel have been vaccinated and that the Company is in good working order, with no infections or close contacts.

Pandemic Prevention and Control Measures

- The Company put the promotional documents issued by the subdistrict prevention and control working group at the front desk and clearly displayed relevant notice on each floor.

- Manage food procurement strictly, put up posts in cafeterias to remind social distancing, and organize nucleic acid testing for employees working in cafeterias.



- Provide masks and water-free hand sanitizing gel to employees, check-temperatures, and remind social distancing on a daily basis.

- Prepare a quarantine room for emergencies on each floor.

Meeting on Upgrading Pandemic Prevention and Control Measures


To effectively strengthen the regular pandemic prevention and control management, our plant in Linying County, Henan Province, hosted a special meeting on pandemic prevention and control and work safety in January 2021, to study and promote the Notice on the Pandemic Prevention and Control during New Year's Day and Spring Festival in 2021 issued by the Linying County Pandemic Prevention and Control Headquarters, and firmly fostered the "red line" awareness of "putting lives and safety first" to ensure work safety. During the meeting, we specified the requirements of regular safety hazard inspection, daily disinfection of office area and production area, internal measures for pandemic control and personnel protection, to ensure zero infections and protect employees' health and safety.



Pandemic Prevention and Control Promotion



Environmental Protection



Kangda International is committed to high-quality sustainable development and is working to reduce the environmental impact of its operations and develop a new sustainable growth model through a standardized environmental management system that saves energy and reduces consumption. This is the Company's direct response to the government's call to achieve peak carbon emissions by 2030 and carbon neutrality by 2060.

4.1 Environmental Management

Kangda International has been actively exploring comprehensive environmental pollution management and aims to create an environment with greener water, lush mountains, bluer skies, and more livable cities as an environmental pollution management enterprise. Kangda International abides by the Environmental Protection Law of the People's Republic of China and other laws and regulations, and has developed the Environmental, Occupational Health and Safety Inspection System, the Environmental Factors, Hazard Source Identification Evaluation Management System, and other systems. We manage environmental issues in a science-based manner, continuously improve the environmental management system, advocate energy conservation and emissions reduction, strictly control various pollutants' emissions, and effectively fulfill our environmental protection and management responsibilities through full-fledged systems and reasonable methods and measures. Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd. has received the ISO 14001 environmental management system certificate.



Environmental Management System Certificate

Kangda International adheres to the concept of green environmental protection in project construction and is dedicated to reducing environmental impacts and contributing to environmental conservation and the green circular economy. In the aspect of green design, we created specifications including the Design Standards for Energy Efficiency of Residential Buildings in the Hot Summer and Cold Winter Region, the Engineering Technology Standards for External Wall Insulation, and the General Technical Conditions for Time-Delay Energy-Saving Lighting Switches. In terms of construction projects, we sincerely comply with the requirements of the Evaluation Standard for Green Construction of Buildings (GB/T 50640-2010), the Code for Green Construction of Buildings (GB/T 50905-2014), and other specifications, and have implemented the "four savings and one environmental protection" measures to save materials, water, energy, and land, as well as to preserve the environment. We also signed the letter of responsibility for environmental protection target management. Furthermore, in order to ensure civilized construction, we have developed special construction plans based on civilized construction management methods, protected vegetation and organisms surrounding the construction site with the concept of environmental protection, and worked to minimize damage to the original ecological environment. In terms of project operation, We place a high value on identifying environmental risks, organizing regular project potential risk inspections and management, ensuring relevant environmental risk warnings, and preparing relevant documents such as the Emergency Plan for Standard-exceeding of Influent Water Quality in accordance with the actual operational situation.



During the reporting period, we had 3 administrative punishment cases for standard-exceeding of effluent water. These cases were caused by substandard influent and illegally transported sludge.

Responses to Punishment

- 01 We immediately reported the issue to the local responsible authorities and the Company's operation and technology departments after identifying that the influent water quality exceeded the standards. We compiled a written report on the results of the investigation and submitted it to the local authorities and the Company's operation and technology departments. At the same time, we initiated the emergency plan for influent water that does not meet the standards, made relevant adjustments to the processes, and tried to control the quality of the effluent to be within the standard range.
- 02 After receiving the Advance Notice on Administrative Penalty for the influent not meeting the standards, we timely and objectively report the reasons for exceeding the standard to the competent authorities, clarify the appeals reasonably and legally, and strive to avoid environmental penalties.
- 03 When receiving the rectification notice due to untimely record filing, we identify the situation immediately and complete the reporting procedures in a timely manner. At the same time, we will further strengthen the data statistics work, implement each reporting platform to specific individuals, and implement a mutual supervision mechanism to ensure that the reporting is completed as required, on time, and with zero errors throughout the year, so as to prevent the occurrence of untimely reporting.
- 04 After receiving penalties concerning environmental protection, we reviewed the whole event and implemented strategies to avoid such events in future operations. Strategies implemented include strengthening upstream and downstream water quality testing, upgrading online monitoring devices, and improving the quality of influent treated.



4.2 Environmental Goals

The Company is dedicated to creating an environment with greener water, lush mountains, bluer skies, and more livable cities. As such, Kangda International has implemented an environmental policy in line with its current business development and operations in order to continuously improve its environmental management capabilities and pursue green growth throughout the entire manufacturing and operation process.

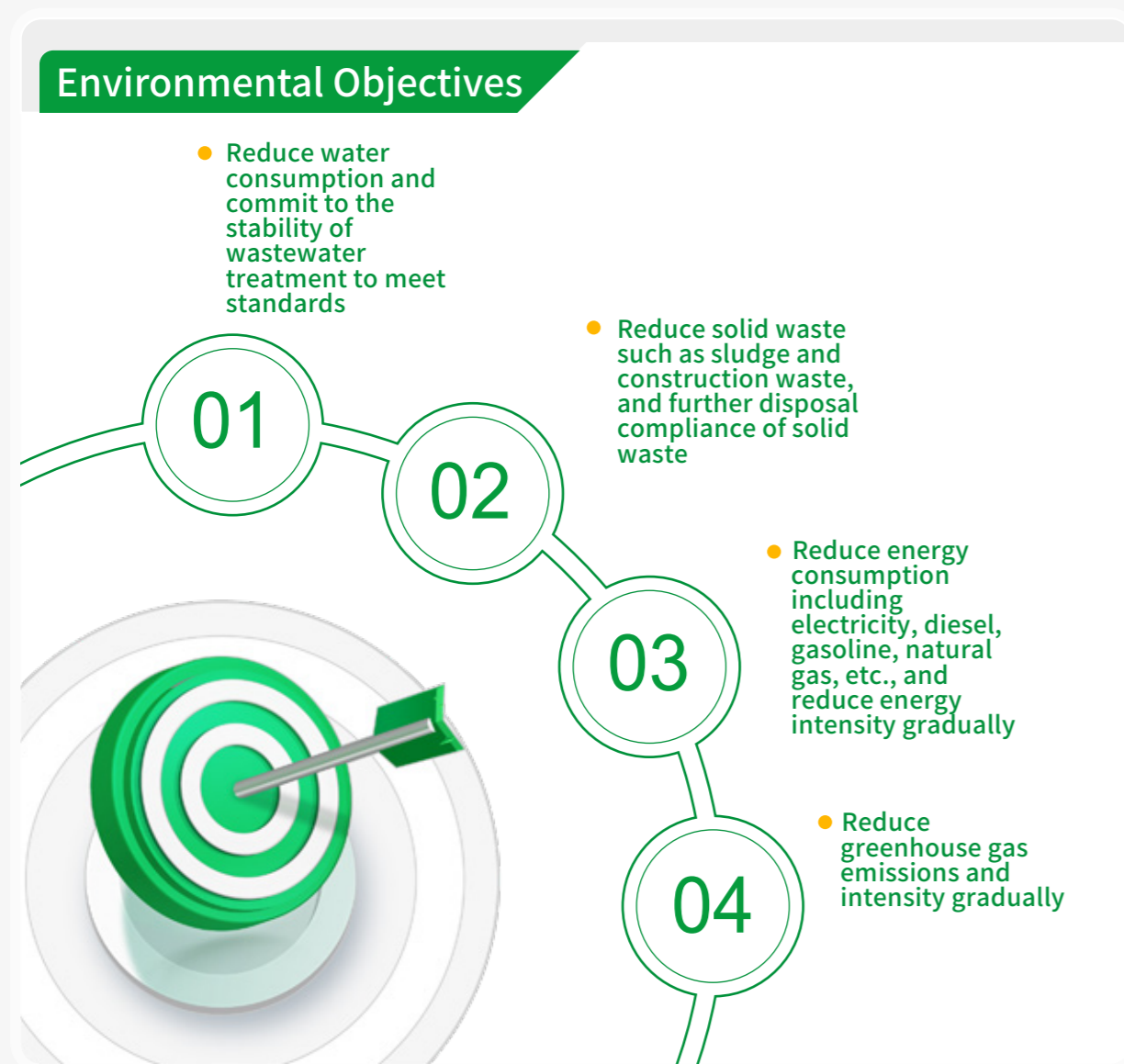


Environmental Policy

- Compliance with laws and regulations, and energy conservation
- Standardized emission, and clean production
- Continuous improvement, and green development

In 2021, Kangda International set environmental objectives for water consumption management, energy management, waste disposal, and greenhouse gas management respectively, to actively pursue green development.

Environmental Objectives



- 01** Reduce water consumption and commit to the stability of wastewater treatment to meet standards
- 02** Reduce solid waste such as sludge and construction waste, and further disposal compliance of solid waste
- 03** Reduce energy consumption including electricity, diesel, gasoline, natural gas, etc., and reduce energy intensity gradually
- 04** Reduce greenhouse gas emissions and intensity gradually

4.3 Resource Consumption

Kangda International has been committed to rationally allocating resources, continuously optimizing the resource management system, and improving resource management measures and has adopted various measures to optimize the management of water resources, office resources, chemical resources, and construction materials.

4.3.1 Water Resource Management

In order to meet the Company's environmental objectives and protect water resources, Kangda International places a high value on water resource management throughout the entire industrial chain. Water is obtained from two sources at Kangda International: the public water supply system and natural water bodies. We've created the Water Conservation Management System, the Regular Inspection System of Water-Using Equipment and Pipes, and the Manual on Water Conservation for Employees, as well as taken steps like optimizing treatment plant design and recycling water resources to cut down on water loss and improve water conservation management.

During the reporting period, we took proactive measures to recycle water resources in the project process, to use water resources more efficiently.

In addition, we have developed a water conservation system in the office and continuously promote water conservation within and outside of the Company by enhancing employees' awareness of water conservation through bulletin boards, tips posts, and activities themed around water conservation.

In 2021, Kangda International's total water consumption and water consumption intensity demonstrated a decline trend, and the water consumption intensity is 14% lower than that in 2020, as shown below:

Kangda International's Water Consumption

Water Resources Indicators	2019	2020	2021
Total water consumption (10,000 cubic meters)	47.08	47.79	46.52
Water consumption intensity (cubic meters /1,000 cubic meters water treatment volume)	0.46	0.42	0.36

Recycling for Reclaimed Water

To recycle reclaimed water more efficiently and conserve water, the thoroughly treated sewage is utilized to substitute tap water in production and vegetation irrigation.

Water-saving measures in construction

To conserve freshwater resources, use treated effluent or reclaimed water from sewage treatment plants first.

Water-saving equipment

Install water-saving equipment in construction and operation, and water-saving toilets.

Resource Consumption

4.3.2 Office Resource Management

We strictly manage office resources, and reduce business-related resources consumption through initiatives such as the digital office.

- 01 • Actively promote paper conservation and implement paperless office operation;
- 02 • Use double-sided printing as much as possible to reduce the consumption of paper materials, and waste paper;
- 03 • Employ the OA system to ensure the digital office, a system that had been safely operating for 6 years as of 2021.

4.3.3 Chemical Resource Management

In 2021, Kangda International optimized the Administrative Measures for the Addition and Use of Chemicals and the Chemicals Safety Management Regulations, refined the requirements for chemical storage in inventory management and added emergency plans for toxic and hazardous chemical substances leaks. Simultaneously, we arranged our subsidiaries to research and revise chemical agent usage, storage, and emergency response regulations, and we urged them to include chemical agent leaks in the safety emergency drill plan in 2022.

4.3.4 Construction Material Management

In construction projects, we actively rationalize resource allocation in construction materials' use and management, use resources more efficiently, and reduce resource loss.

- 01 • **Measures to Reduce Resource Consumption in Construction**
 - Employ backfilling to reduce the usage of soils purchased elsewhere, and thus lower resource loss; Reuse fences and rent protective steel pipes to use them multiple times.
- 02 • **Material Selection**
 - Use commercial concrete to improve operational efficiency while ensuring high quality; Use energy-saving materials such as high resistance bamboo floor and anticorrosive panels as decoration and garden construction materials; Use recycled re-plastic granules in building soccer field basketball court.
- 03 • **Private Building Utilization**
 - Keep the original residential buildings as functional rooms for management and other purposes

Kangda International's Construction Resource Consumption

Construction Resource Consumption Indicators	2021
Paper consumption in construction (tonnes)	2.29
Metal resource consumption in construction (tonnes)	5,450.00
Wood resource consumption in construction (tonnes)	1,189.00
Plastic resource consumption in construction (tonnes)	850.00
Oil resources consumption in construction (tonnes)	3.43
Chemicals consumption in construction (tonnes)	294,300.43
Construction material consumption (including earth, masonry, mortar and concrete, etc.) (tonnes)	778,650.00



4.4 Emissions Compliance

Kangda International has always followed a clean production and business model, carefully managing sewage, exhaust emissions, solid waste, and noise creation and treatment. We strictly abide by the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution, the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes, the Law of the People's Republic of China on Noise Pollution Prevention and Control, and other applicable laws. In addition, in compliance with applicable legislation, we developed the Standard Collective Manual for Safe and Civilized Construction at Construction Site and the Manual for Hazardous Waste Management. To reduce environmental impacts, we ensure whole-process emissions management during project construction, which includes facility improvement, process optimization, construction site management, and other measures. In order to achieve green manufacturing and operations, we place a high priority on compliant waste disposal in our daily operations.

4.4.1 Sewage Discharge Management

As water pollution is becoming increasingly prominent in China, upgrading sewage treatment has become even more important. Kangda International has actively followed local governments' effluent quality standards and strengthened sewage discharge management by optimizing its treatment process and facilities. For more details on wastewater treatment process optimization, please refer to Chapter 2 of this report.

Kangda International's Sewage Discharge

Sewage Discharge Indicator	2021
Sewage Discharge Volume (cubic meters) ⁶³	1,040.00

The sewage generated in our daily operation is discharged into the public sewage collection system. A small amount of sewage generated in construction is treated in compliance, and the sewage generated in all water plants' operations is discharged in compliance after treatment.

4.4.2 Exhaust Gas Management

We always follow the notion of green and civilized construction and have established various standardized requirements during project construction. The main air pollutant produced by Kangda International is particulate matter (dust) generated in construction. At the construction site, we install blocking fences to ensure closed-off management, and take various measures to reduce dust, strictly keep atmospheric and dust pollution under control, and create green construction sites.

- All bare soil areas are covered and sprinkled with water to effectively reduce dust in construction;
- Install automatic washing equipment and car washing sheds to reduce dust on the road by removing mud from vehicles' surfaces;
- All bare soil areas are covered;
- Fog machines are employed to keep the air humid;
- Install the dust monitoring platform to offer feedback information in real-time;
- Install deodorizing equipment to treat the odor produced by sludge pretreatment and dewatering.

⁶³ It only includes sewage discharged from the Company's domestic water, construction and the sewage treatment plants' operation, and excludes the sewage discharged from the sewage treatment plants after treatment.

4.4.3 Solid Waste Management

Kangda International has a strong waste management policy in place. Through whole-process waste management, including project design, building, and operation, we seek to reduce waste, improve waste recycling, and reduce environmental impacts. We created the Manual for Hazardous Waste Management to ensure that waste generated during manufacturing and operations is disposed of in accordance with applicable regulations.

We pay special attention to solid waste management in project construction. To reduce waste, we repurpose construction waste and waste earth created during production to build improvised roads. In order to produce fertilizers for later planting, we also add environmentally friendly fertilizers to the surface soil.

To standardize garbage disposal methods, we established tight management methods for the categorization and disposal of residential waste, and created construction waste collection pools and household waste bins at the construction site for separate waste collection and transportation. We also cut down on kitchen waste by serving meals based on the number of diners, and offering a buffet option.

Kangda International's Solid Waste Generation

Solid Waste Indicators	2019	2020	2021
Household solid waste generation ⁶⁴ (tonnes)	12	206	179.76
Construction waste generation (tonnes)	/	/	230
Non-hazardous waste generation (tonnes)	/	/	409.76
Non-hazardous waste generation density (tonnes/1,000 cubic meters of water treatment)	/	/	0.0003
Hazardous waste generation (tonnes)	/	/	0.35
Hazardous waste generation density (grams/1,000 cubic meters of water treatment)	/	/	0.0003
Sludge generation (tonnes) <small>Note: The sludge has a water content 73.1%</small>	991,568	953,239	1,013,928
Sludge generation intensity (tonnes/1,000 cubic meters of water treatment)	0.96	0.84	0.78

4.4.4 Noise Management

We diligently implement noise management in compliance with relevant requirements in order to decrease the impact of construction noise. To better control noise through construction management, we've established a stringent construction permission method for responsible departments to handle night-time construction and noisy operations. All daily operations must be suspended after 8:00 p.m. and all operations must be suspended after 10:00 p.m. In addition, construction equipment is inspected on a regular basis, and noisy equipment is phased out to ensure that noise pollution is kept to a minimum.

⁶⁴ Residential waste includes kitchen waste, waste in the office, and electronic waste.

4.5 Combat Climate Change

Climate change has become a major concern for human society, and reaching carbon neutrality in all aspects of society has become a necessity. In this regard, Kangda International is committed to pursuing the Chinese government's goal of reaching carbon neutrality by 2060 by continuously boosting green innovation research and development and new technology applications with green development as the guiding principle and contributing to the creation of a carbon-neutral society. As a leading environmental pollution management company in China, we are aware of the potential risks of climate change on our business and daily operations, such as urban water, comprehensive water environment treatment and rural sewage treatment. We disclosed climate change risk management in 2021 with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in three major dimensions: governance structure, energy management and risk management.

4.5.1 Governance Structure

The Audit Committee under Kangda International's Board of Directors is responsible for supervising, reviewing, assisting, and analyzing the Company's strategies and initiatives to address climate change and supervising the execution of climate change related measures. The Audit Committee is responsible for identifying climate change risks and participating in the introduction of measures and strategic objectives, as well as recommending to the Board of Directors that they approve corresponding strategic objectives.

4.5.2 Energy Management

Kangda International places a high value on energy management and adheres to the philosophy of energy conservation and consumption reduction in both production and operations. To improve energy efficiency and reduce greenhouse gas emissions, we've developed a variety of management systems and techniques.

Energy-Saving Production

- Energy-saving facility optimization: Replace Roots blowers with less energy-consuming air suspension blowers to make better use of energy and reduce energy consumption; install frequency conversion devices for high energy-consuming equipment such as fans and pumps, and adjust operating parameters in a real-time manner to reduce energy consumption.
- Energy-saving design: Try to make the design process and pipeline connection as simple as possible in designing the treatment plant, to reduce water loss and shorten the pump head.
- Energy-saving standard improvement: Specify stringent requirements for pump efficiency in bidding, such as large sewage pump's efficiency being over 80%. This is significantly higher than the general efficiency of 65%, so that the whole plant pumps' energy consumption can be better kept in control.

Energy-Saving Operation

- Energy-saving lighting: Employ energy-saving lighting equipment, such as replacing cafeteria lighting tubes with energy-saving tubes to reduce power consumption; better regulating air conditioners' temperature in the office building to reduce energy consumption.
- Vehicle management: reduce the Company's medium-sized buses and advocate low-carbon transport.

Kangda International's Energy Consumption and Greenhouse Gas Emissions

Energy Consumption and Greenhouse Gas Emissions Indicators	2019	2020	2021
Direct energy			
Diesel (liters)	123,576	118,330	115,265
Gasoline (liters)	358,444	340,135	254,961
Natural gas (cubic meters)	5,080	3,781	4,287
Indirect energy			
Purchased electricity consumption (kWh)	356,051,741	382,773,833	436,265,226
Total comprehensive energy consumption (tonnes of standard coal)	44,301	47,558	54,037
Comprehensive energy consumption intensity (tonnes of standard coal/1,000 cubic meters of water treatment)	0.04	0.04	0.05 ^①
Scope 1 greenhouse gas emissions (tonnes of CO ₂ equivalent) ^②	1,133	1,076	880
Scope 2 greenhouse gas emissions (tonnes of CO ₂ equivalent) ^③	240,687	258,321	300,758
Total greenhouse gas emissions (tonnes of CO ₂ equivalent)	241,820	259,397	301,638
Greenhouse gas emission intensity (tonnes of CO ₂ equivalent/1,000 cubic meters of water treatment)	0.24	0.23	0.27

^① Comprehensive energy consumption density in 2021 showed an increase compared with that in 2019 and in 2020. This is because energy consumption per unit of treatment capacity was up as a result of higher effluent standards at the Company's sewage treatment plants in Gaomi City and Qidu Town, Shandong Province.

^② Scope 1 greenhouse gas emissions are direct greenhouse gas emissions that occur from the Company's gasoline, diesel, and natural gas consumption; greenhouse gas emissions are calculated with reference to the Requirements of the Greenhouse Gas Emissions Accounting and Reporting-Public Building Operating Organization (Enterprise) (For Trial Implementation) issued by the National Development and Reform Commission of the People's Republic of China.

^③ Scope 2 greenhouse gas emissions are indirect greenhouse gas emissions associated with the purchase of electricity; the electricity emission factor applies the 2011 and 2012 Regional Grid Average CO₂ Emission Factor for China.

Combat Climate Change

4.5.3 Climate-related Risk Responses

We identified risks and opportunities brought by climate change in 2021 and included climate change risks in the Company's risk management. With reference to the TCFD framework, we used two starkly contrasted scenarios, RCP2.6 and RCP8.5, the concentration pathways introduced by the UN Intergovernmental Panel on Climate Change (IPCC) in its Fifth Assessment Report as our climate change risk analysis scenarios to effectively identify and assess climate-related risks' potential impact on our business in different scenarios. In the high-emissions scenario RCP8.5, the physical risk poses a higher risk to our operations. In the ambitious mitigation scenario of RCP2.6, Kangda International mainly identifies the impact of transition risks on our business. Subsequently, we convened a meeting of various departments' management to rank the climate change risks on the list in four dimensions: likelihood, impact, resilience, and recovery, and created the Company's major climate change risks.

Major Climate Change Risks

Climate Change Risks			Relevance Description
Physical Risks	Acute Physical Risks	Strong winds/ cyclones/ typhoons, floods, droughts	<p>According to the World Research Institute (WRI), a warming planet will lead to an increase in water-related global risks, including water stress, floods (including storms, rising rainfall, and river overflows), and droughts. As Kangda International's business is centered on water environmental management, the above-mentioned climate change risks will directly affect its business, operations, and work safety.</p> <p>Kangda International has established its presence across China, and some areas will be exposed to greater water-related risks than others:</p> <ul style="list-style-type: none"> ● According to the China Meteorological Administration, typhoons are active in the country from June to October each year, with Guangdong experiencing the most tropical cyclones and Zhejiang Province, Jiangsu Province, Shandong Province, and Liaoning Province, located along the east coast, experiencing fewer tropical cyclones in that order. Strong winds, cyclones, and typhoons will wreak havoc on operational sites, plant infrastructure, and other facilities, causing continuous operational disruption and asset loss; Employees will be unable to work outdoors in extreme weather, and their commute may be hampered, posing work safety and health risks, lowering operational efficiency, and increasing operational costs; ● Sichuan Province, Jiangsu Province, and other provinces located along the coast and rivers are at high risk of basin floods, which will cause damage to production facilities and fixed assets and put production and operations to a halt; Construction workers' safety and health risks increase; Power outages and floods, for example, can cause production accidents; and ● Henan Province, Shanxi Province, Beijing, and other regions are at higher risk of drought, which might result in tight water supplies and a decline in the Company's sewage treatment business.

Climate Change Risks			Relevance Description
Physical Risks	Acute Physical Risks	Extreme hot and cold weather	<p>The National Climate Assessment (NCA) believes that the hottest temperature will be even higher under the scenario RCP8.5^⑩. The hottest temperature is defined as the hottest one in over 20 years. Kangda International's governance projects and construction projects involve outdoor operations, facilities, and instrumentation operations, and thus will face:</p> <ul style="list-style-type: none"> ● increased operating costs caused by soaring demands for cooling and heating in the office and industrial park, and employees' inability to work outdoors in extreme weather; ● malfunction or early obsolescence of existing facilities and assets; and ● reduced equipment operating efficiency and increased operating and energy costs.
	Chronic Physical Risks	Extreme fluctuations in precipitation and weather patterns	<p>The probability of extreme precipitation events happening by 2050 has increased significantly in comparison to 1950–1981. As a result, Kangda International will face:</p> <ul style="list-style-type: none"> ● additional extreme precipitation response measures, flood storm warning measures, etc., which increase operating costs; and ● increased operating costs caused by damage to infrastructure.
		Rising average temperature	<p>According to an IPCC projection, the average global surface temperature is expected to increase by approximately 2.0 °C in the mid-21st century relative to the period of 1850–1900 under the scenario RCP8.5, with a likely range of 1.4 °C to 2.6 °C. This increase will have a direct impact on Kangda International's manufacturing operations and facility maintenance, and thus the Company faces:</p> <ul style="list-style-type: none"> ● higher operating costs due to increasing demand for cooling; and ● increased safety and health risks for construction workers due to the extreme heat.

^⑩ It refers to the baseline scenario that includes no policy-driven mitigation, where the global average temperature is projected to increase by 4°C by the end of the 21st century.

Combat Climate Change

Climate Change Risks		Relevance Description
Transition Risks	Policies, Laws and Regulations	<p>According to existing laws, regulations, and industry standards such as the Environmental Protection Law of the People's Republic of China and other regulations, as well as those that may be issued later, failure to comply with relevant local laws can result in consequences such as fines, business loss, closure of operations, and brand and reputational cost. As a leading environmental management company, operational compliance is critical to Kangda International, and thus the Company faces:</p> <ul style="list-style-type: none"> increasingly stringent environmental oversight and penalties.
	Higher requirements for reporting greenhouse gases emissions	<p>As carbon emissions, carbon trading and other management measures have been improved and implemented, there will be higher national and regional requirements for Kangda International's emissions reports; and with the introduction of the new ESG reporting guidelines requirements of the Hong Kong Stock Exchange, there will be higher requirements for reports on greenhouse gas emissions, measures to reduce emissions and operations' environmental impacts. As a result, Kangda International faces:</p> <ul style="list-style-type: none"> higher operating costs for information disclosure; increased disclosure scope; and greater difficulty in disclosure.

In response to the major climate change risks identified above, we have launched various technological and operational initiatives to improve our climate change risk response capabilities while contributing to the mitigation of global climate change.

Enhanced Management

- Establish a strong risk identification and prevention system, develop a Risk Control Management System, keep track of various national and local laws and regulations in a timely manner, increase management expenses, and strengthen greenhouse gas emission regulation;
- Prepare emergency plans and supplies for various extreme weather events, conduct annual emergency drills, strengthen disaster response capabilities, and ensure employee livelihood and the operation of utility support (e.g. electricity) facilities;
- To ensure environmental compliance, insist on the disclosure of greenhouse gas emissions data and the strict implementation of all emission reduction measures; and
- Actively expand business beyond sewage treatment.

Operation Guarantee

- Take operational measures to alleviate waterlogging and power outages in the plant;
- Record statistics on the Company's water consumption and adopt a variety of water conservation measures in daily operations to guarantee a stable water supply;
- Increase cooling costs in the plant and office areas in summer, to ensure stable production and operation and employees' health;
- Implement annual centralized procurement in each province, and for the same type of chemical agent, choose more than three suppliers to guarantee stable supply; and
- Optimize operational parameters and adjust the type of chemicals to reduce costs and increase efficiency.

Technical Support

- Assess climate change risks and take steps to mitigate them in project site selection and design, such as adjusting design scale and treatment method to local conditions;
- Continuously boost innovation, research and development, and application of new technologies, and actively explore and apply new technologies in the construction and operation of wastewater treatment plants to pursue improved operational efficiency and environmental protection; and
- Actively conduct feasibility analysis of environmental management technologies and introduce innovative treatment procedures to support low-carbon growth.



Community Engagement



As the Chinese saying goes, "As we need to think of the source when drinking water, we should give back to society." Kangda International has always recognized social responsibility as a critical component of its corporate development strategy, and it is carried out in two areas: environmental preservation and public welfare. To give back to society, we actively explore new technologies and methods in environmental protection services, develop and innovate sustainable public welfare models, undertake various public welfare activities, promote environmental education, and build a harmonious and warm social atmosphere.



5.1 Contribute to a Grenner Environment

Kangda International continues to practice its core value of "Sincere Commitment and Repaying the Society". The Company is committed to fulfilling its social responsibility with its first-class environmental protection technology and rich development experience. With the aim of improving residents' living environments and fostering a better home-land in both urban and rural areas, we push forward with the three business sectors of urban water treatment, comprehensive treatment of water environment and "Beautiful Village" sewage treatment to establish itself in the water-related business, actively make deployment in the sewage treatment market in small towns, assist urban development, achieve harmony between people and water resources, and promote the Company's all-around and diverse growth.

Overview of our contribution to the environment this year:

- A total of **113** service concession arrangements projects, including **107** wastewater treatment plants, **1** water distribution plant, **3** sludge treatment plants, and **2** reclaimed water treatment plants
- **3** sludge treatment projects with a total treatment capacity of **550** tonnes/day
- **2** reclaimed water treatment projects with a total treatment capacity of **65,000** tonnes/day
- **96** wastewater treatment projects in operation, with the total daily treatment capacity of wastewater reached **3.9615 Million** tonnes/day
- **2** rural water improvement projects under construction
- **7** water environment comprehensive remediation projects under construction

Environmental Performance of the Year:

- The total treated water volume reached **1,262.4 Million** tonnes, an increase of **11%** from 2020. Among them, the wastewater treatment service treated **1,258.2 Million** tonnes the reclaimed water treatment service treated **4.2 Million** Tonnes
- Ammonia nitrogen treatment **36,000** tonnes
- COD treatment **320,000** tonnes



Weifang Binhai Watertown Sewage Treatment Plant Reconstruction Project

For the Weifang Binhai Sewage Treatment Plant's renovation project in Shandong Province, new secondary anoxic tanks, secondary aerobic tanks, secondary lifting stations, high-density sedimentation tanks, water reuse pump stations, sludge silos, and other water treatment facilities were installed. Therefore, the total amount and concentration of CODcr, ammonia nitrogen, total phosphorus, and other indicators were significantly reduced in the effluent discharged into rivers and they stably meet the standards of Class-IV indicators of the Environmental Quality Standards for Surface Water (GB 3838-2002), and the Class IA Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB 18918-2002).

We completed trial operation and commissioning of the Weifang Binhai Watertown Sewage Treatment Plant during the reporting period, and strictly implemented various environmental protection measures to ensure that the effluent quality is stable and up to standard. At the end of the reporting period, the reconstructed facility passed an expert review for environmental protection acceptance, and was formally put into service.

Fuzhou Sanjiang Wetland Ecological Restoration Project

The Sanjiang Wetland Ecological Restoration Project covers a total area of about 92.53 hectares with a total investment of RMB 230 million. The project includes a landscape project, a water conservancy project, municipal transportation and bridge projects, a water ecological project, an early warning system, and so on. The landscape project is themed "an ecological gateway, wetland paradise, migratory birds' habitat, leisure destination, purification platform, and sightseeing resort", with areas primarily including wetland, woods, reed beach, meadow, beach, lotus pond, lawn, Chengjia Village's makeover, and renovated flood-relief rivers. The Sanjiang Wetland Ecological Restoration Project is an important ecological project to treat urban tail water and sewage, and is the leading project in terms of ecological protection and comprehensive management in the Fuxiang River Basin. Its completion marks a victory in the current stage of the ecological protection and comprehensive management project in the Fuxiang River Basin.

The Sanjiang Wetland is a subsurface flow wetland designed for the sewage plant's tail water purification and recycling, effectively increasing water efficiency. To protect the original ecosystem and retain the originality of the environmental landscape, the completed Sanjiang Wetland Ecological Restoration Project keeps all the original seedlings within the wetland to minimize damage to the original ecosystem. In addition, as the Sanjiang Wetland falls into the category of tidal flat, new buildings are not allowed after the old ones have been demolished. With the approval of the Provincial Department of Water Resources, we renovated the existing six buildings in Chengjia Village into wetland management buildings to ensure that there are rooms for service purposes.

The Sanjiang Wetland Ecological Restoration Project has successfully improved the ecological environment in the north of Fuzhou City. The area was transformed from a wasteland filled with sand, dust, potholes, and construction waste into a beautiful ecological park. Thus, it provides a new recreational option for local residents.

During the reporting period, representatives from the Jiangxi Provincial Committee of the Chinese People's Political Consultative Conference and the Jiangxi Provincial Development and Reform Commission visited the project for guidance and gave it high praise. Sanjiang Wetland was also covered by TV stations at all levels.



• The Renovated Chengjia Village



• Artificial Wetland



• Representatives from the Jiangxi Provincial Development and Reform Commission Visited the Project for Guidance



• Representatives from the Jiangxi Provincial Committee of the Chinese People's Political Consultative Conference Visited the Project for Guidance



• Completion and Acceptance Meeting



• TV Interview

5.2 Public Welfare

In addition to its efforts to create a better environment through its own business, Kangda International supports the community and gives back to society by actively conducting various public welfare activities and participating in co-construction in the community. The Company contributes to society while consolidating its own strength and growing alongside society.

5.2.1 Environmental Education

Kangda International believes that environmental education lays the foundation for society's ability to sustain progress and is its social responsibility. We invite the public to visit our facilities to learn more about environmental protection, raise public awareness of ecological protection, water conservation, and water environment protection, and help them understand the capabilities and effectiveness of wastewater treatment facilities. During the reporting period, Kangda International's plants organized their Public Open Day activities to offer opportunities for the public to get to know the application of modern technological knowledge in environmental protection and the sewage treatment process, so that they can realize how important water resources are.

"Public Open Day for Environmental Protection Facilities" Event by Jiaozuo Company

Jiaozuo Company affiliated with Kangda International in Henan Province has built a bridge to communicate with the public over the years through diverse and content-rich public open day activities. Jiaozuo Company has engaged a wide range of the public and is willing to operate under public supervision to foster an environment in which it gains the care and support of the whole society in its sewage treatment business. The Company will keep making concerted efforts to safeguard the beautiful scenery of the local community.



On April 9, 2021, the Jiaozuo No.1 Plant was visited by 50 teachers and students from Henan Polytechnic University. The plant manager and relevant technicians walked the students through the central control room, water inlet, coarse screens, biological aeration tanks, water outlet, and other sewage treatment equipment and various processes, as well as the facility's operations and sewage treatment process. These science and engineering students were very interested in the plant's automatic control system, remote control system, and other features, and they asked a lot of questions, which the plant manager and technicians patiently answered.



Teachers and students said the on-site introduction and firsthand experience of seeing these environmental protection facilities had extended their horizons and enriched their environmental knowledge beyond the textbook after the visit. They were more conscious of the need to safeguard water resources as well as their obligation to conserve the environment and cherish water resources.

Teachers and Students from Shangqiu University Visited Kangda Environmental Protection (Shangqiu) Water Co., Ltd.

As an environmental education base in Henan Province, Kangda Environmental Protection (Shangqiu) Water Co., Ltd. has provided opportunities for primary and secondary school students, as well as college students, to visit and study at the plant through public open day and other activities, effectively raising public awareness of conservation, environmental and ecological protection, and achieving good social benefits.



On October 29, 2021, 50 teachers and students from the Surveying and Mapping Discipline of the Geography Department, Shangqiu University, visited Kangda Environmental Protection (Shangqiu) Water Co., Ltd. The Operation Department Manager, as the lecturer, guided the students to observe the process flowchart and visit the water inlet, coarse screens, rotational flow grit basin, secondary sedimentation tank, high-efficiency filter and disinfection tank, sludge dewatering workshop, water outlet, etc. The lecturer gave detailed explanations of the process flow and the treatment principles in each stage, and everyone left with a comprehensive understanding of how stinking and dirty domestic sewage can be turned into clear and clean water through the whole process flow.

5.2.2 Community Care

Kangda International's plants actively take on their social responsibility and partake in community co-construction activities, including refurbishing and upgrading the surrounding facilities and environment, removing snow, fighting the pandemic, and engaging in reforestation. As of December 31, 2021, the Company had invested a total of RMB 100,000 in philanthropy and public welfare.

The National Tree Planting Day Activity

As spring brings everything on earth to life, it is a good time to plant trees. Kangda International's Jiaozuo Company actively responded to the Jiaozuo Municipal Party Committee and Municipal Government's call on March 2, 2021, by organizing some managers and workers to participate in a voluntary tree planting activity in Chunlin Village, Jiefang District, at the southern foot of the Taihang Mountains, to contribute to the construction of a green homeland through practical actions.



APPENDIX

Content Index of the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange

Environmental, Social and Governance Subject Areas, General Disclosures and KPIs			Index
A. Environmental			
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.	P63-65
	A1.1	The types of emissions and respective emissions data.	P63-66
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	P66
	A1.3	Total hazardous waste produced and, where appropriate, intensity.	P64
	A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	P64
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	P59,P63-66
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	P64
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P60-62,P65-66
	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	P66
	A2.2	Water consumption in total and intensity.	P60
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	P59,P65-66
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	P60
	A2.5	Total packaging material used for finished products and, with reference to per unit produced.	Not applicable, the product does not involve packaging materials
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	P60-62
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P60-62
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	P65-70
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	P67-70
B. Social			
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.	P39-42
	B1.1	Total workforce by gender, employment type, age group and geographical region.	P41
	B1.2	Employee turnover rate by gender, age group and geographical region.	P42

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.	P49-52
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	B2.2	Lost days due to work injury.	P51
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	P49-52
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P43-45
	B3.1	The percentage of employees trained by gender and employee category.	P44
	B3.2	The average training hours completed per employee by gender and employee category.	P44
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.	P40
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	P40
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B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	P31-34
	B5.1	Number of suppliers by geographical region.	P32
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	P31-34
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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.	P25-30
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	No product recalled for safety and health reasons
	B6.2	Number of products and service related complaints received and how they are dealt with.	P25-28
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	P30
	B6.4	Description of quality assurance process and recall procedures.	P25-28
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Not applicable, we do not require privacy data from consumers
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.	P21-22
	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.	P21
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	P21
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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.	P73-76
	B8.1	Focus areas of contribution.	P73-76
	B8.2	Resources contributed to the focus area.	P73-76