



# *Environmental, Social & Governance Report 2022*



Tianjin Capital Environmental Protection Group Company Limited  
天津創業環保集團股份有限公司

# 2022 Environmental, Social & Governance Report

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### ABOUT US

**Our vision:** Returning clean water to the world, delivering fresh air to the earth

**Our mission:** Purify the ecological environment, enhance living quality

**Our core values:** Provide professional and effective environmental services, establish a harmonious environment for staff development, and maximize value for shareholders

Tianjin Capital Environmental Protection Group Company Limited (the “Company”, along with its subsidiaries, the “Group”), was established in January 2001 after the restructuring of the former Tianjin Bohai Chemical Industry (Group) Company Limited by Tianjin Municipal Government. Being the first large state-controlled water enterprise in China listed in both Shanghai and Hong Kong, with sewage treatment as its main business, the Company (A-share code: 600874; H-share code: 1065) provides a broad range of services, including sewage treatment, water supply and recycling, new energy heating and cooling, solid waste treatment, distributed photovoltaic power generation, and environmental protection technology. The Company undertakes water utilities investment and operation that integrates investment, operation, management, research and development and construction to form a comprehensive group with a full business chain, becoming a pioneer in the environmental protection field in China.

The Group values both technological innovation and talent development. We have a highly qualified and professional research and development (“R&D”) team, and we collaborate with many prestigious domestic universities and research institutions to continuously advance water treatment technology. Additionally, the Group is committed to building a sustainable green water industry, actively exploring diversified business models and innovative management approaches, making positive contributions to safeguard the ecological environment for the country and its people.

As of December 31, 2022, the Company had total assets of RMB22.970 billion and net assets of RMB8.479 billion, operated with 8 functional management centers, 3 party departments, and 54 direct or indirect holding subsidiaries, achieving operating revenue of RMB4.522 billion and a net profit of RMB751 million. The Group provides sewage, water supply, water recycling, new energy heating and cooling, sludge disposal, and hazardous waste treatment services for 97 projects located in 15 provinces, serving a large customer base. The cumulative sewage treatment capacity reached 1.67 billion m<sup>3</sup> in 2022, which showed a year-on-year growth of 3% and hit a record high.

Looking ahead, the Group will continue to leverage our core competitive advantages in technology and R&D capabilities, emphasizing the interdependence and synergies among our businesses to further strengthen our cooperation. At the same time, we will deepen our existing businesses, continuously improving our scale, quality, and efficiency, fully developing a new image as a “professional and systematic environmental service provider” with a professional attitude and precise focus. Throughout this process, we will adopt flexible and diverse forms of cooperation to meet the needs of the society, enterprises, and customers, achieving a win-win for all parties involved.

BASIC BUSINESS

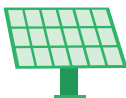


Including municipal sewage treatment, water supply and water recycling

The total capacity of the equity-type water utilities business amounted to approximately 5,604,600 m<sup>3</sup> per day

The pipe network length was 1,118.61 km

STRATEGIC NEW BUSINESS



Including new energy heating and cooling, solid waste treatment, sludge treatment, photovoltaic power generation, transformation of achievements in technology research

The service areas of new energy cooling and heating supply business amounted to 34,100 m<sup>2</sup>

The planned annual electricity generation of the distributed photovoltaic power generation project is 2,921,600 kWh

The total capacity on sludge treatment was 2,720 tonnes/day

For hazardous waste business, the company has four projects with the disposal capacity of 128,000 tonnes/year, a storage and transfer project with a scale of 20,000 tonnes/year and a waste landfill project with the aggregate storage of 314,600 tonnes with the comprehensive waste utilisation capacity of 73,000 tonnes/year.

## ABOUT THE REPORT

The Environmental, Social, and Governance (“ESG”) Report (the “Report”) has been prepared in accordance with the Environmental, Social, and Governance Reporting Guide (the “Reporting Guide”) set out in Appendix 27 to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (“HKEx”). The Report discloses the Group’s ESG policies, performance, and related Key Performance Indicators (“KPIs”) from January 1, 2022, to December 31, 2022. To improve the level of reporting disclosure, we also refer to the Global Reporting Initiative (“GRI”) Standards (the “GRI Standards”). A detailed index of the GRI Standards and HKEx Reporting Guide is included at the end of the Report.

### Reporting Scope

The Report covers the main business operations of the Group<sup>1</sup> that are financially significant and have operational impact, including sewage treatment, water recycling, cooling and heating supply, and water supply in the Beijing-Tianjin-Hebei, Northern and Southern regions. Environmental and social KPIs, as well as other statistical information, have been provided for water plants and energy stations that are directly operated within the above Group’s scope. Matters related to corporate governance are detailed in the “Corporate Governance” section on pages 44 to 110 of the Company’s Annual Report 2022.

The Group plans to enhance the internal data collection system in the future. We will also continue to evaluate and expand the scope of information disclosure in a timely manner based on the principle of materiality, with the goal to provide stakeholders with more comprehensive and accurate information.

### Reporting Principle

The Report follows the HKEx Reporting Guide for “Materiality”, “Quantitative”, “Balance”, and “Consistency”.

- **Materiality:** We identify significant sustainable development issues through stakeholder engagement and regularly refer to peer, local, and regional sustainability standards in the process.
- **Quantitative:** We regularly record and review environmental data such as electricity and water usage, emissions, and social data including employees, suppliers, customers, and communities, providing quantitative information in the Report wherever possible.
- **Balance:** We identify and articulate the achievements and challenges faced by the Group.
- **Consistency:** We strive to maintain consistency in the methods, KPIs, or other relevant statistical factors we use. We indicate and explain significant changes in the Report to make it comparable.

<sup>1</sup> For more details on our main operations, please refer to page 18 of the Company’s Annual Report 2022.

### Confirmation and Approval

Internal audit and risk management mechanisms are in place to ensure the accuracy and reliability of all information in the Report. The management and the Board of Directors confirmed the Report on March 27, 2023.

### FEEDBACK

The Report is available in Simplified Chinese, Traditional Chinese, and English. Readers can refer to the electronic version of the Report, which can be obtained on the HKEx website under the category of “Financial Statements/Environmental, Social and Governance Information” of Tianjin Capital or website of the Company. If you have any questions or comments regarding the content of the Report, please feel free to contact us through the following means:

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## FEATURE STORY



From the beginning of the “14th Five-Year Plan”, the environmental protection industry has entered a new stage of development. Currently, the water industry is undergoing a critical year of change towards high-quality development, driven by a series of water treatment-related policies such as the “Guidance on Promoting the Resourceful Utilization of Wastewater”, the “Fourteenth Five-Year Plan for the Development of Urban Sewage Treatment and Resourceful Utilization”, and the “Regional Pilot Implementation Plan for Recycled Water Recycling”. In this context of high standards and requirements, improving the efficiency and quality of sewage treatment is crucial, and technology is necessary to achieve this goal. In fact, technology is the core element of driving business growth and sustainability of water utilities. As digitalization redefines every industry in the modern world, it is clear that smart water is the inevitable trend for development.

To achieve high-quality development and adapt to the new era of the digital economy, the Group actively promotes the construction of a smart operation management system. We use “+Internet” and big data analysis to optimize processing flow and improve management efficiency. For example, our Capital Environmental Protection Jingu Sewage Treatment Plant has a professional team. After years of experience accumulation and R&D, they have successfully developed a multi-parameter compound accurate aeration system, comprehensive intelligent dosing system, and accurate sludge retention time (“SRT”) control system. These systems allow for comprehensive intelligent control, timely analysis interface, and model-based platform management.

### Multi-Parameter Compound Accurate Aeration System

Aeration is a critical part of the sewage treatment process. It helps organisms operate by adding oxygen to remove organic compounds like nitrogen and phosphorus from the sewage. This process directly affects treatment efficiency and effluent compliance rates. However, it also consumes a significant amount of energy, which is a substantial portion of the overall sewage treatment process. Therefore, effective management of the organic treatment aeration section is essential to improve treatment efficiency and save energy.

Building upon the stable operation of the Jingu Sewage Treatment Plant, the multi-parameter compound accurate aeration system has been upgraded, implementing an internal reflux system in the bioreactor, optimizing the electric gate of the blower branch pipe, and adding pressure gauges to the wind pipe and remaining pipes. As a result, fully automatic control of the blower and air damper has been achieved. The use of a big data platform enables effective analysis of water quality and quantity, ensuring that the air volume is controlled at a lower level while still maintaining optimal conditions for the reflux pump and agitator operation, and allowing for self-controlled peak operation. These upgrades have led to a reduction in power consumption, achieving a win-win situation for both environmental protection and economic benefits.

### Comprehensive Intelligent Dosing System

The conventional dosing section relies on manual experience and the flow rate of the proportional dosing method. While this method is simple and easy, its shortcomings are also very obvious, including increasing drug consumption and bringing hidden problems to water quality. Therefore, modern water plants should adopt a more intelligent system to ensure water quality and reduce drug consumption.

The comprehensive intelligent dosing system has revolutionized the traditional approach to medication dosage analysis and monitoring through digital and refined management. The system has several functions, including setting upper and lower limits for medication dosage, issuing alerts for any deviations from the normal range, and calculating real-time medication dosage recommendations using a variety of data sources. As a result, it can assist in formulating online auxiliary control strategies for medications such as sodium acetate and polyaluminum chloride ("PAC"), achieving precise control of the project site by using control parameters through the big data platform in a timely manner. To improve the concentrator's reaction speed, the comprehensive intelligent dosing system installed a set of polyacrylamide ("PAM") anionic pharmaceutical equipment on the concentrator, which can mix the drug concentration ratio before being pumped into the concentrator for flocculation and sedimentation. Additionally, the homogenization tank controls the dehydration machine and the start-stop status of the concentrator, achieving high stability of the drainage of the concentrator system while also reducing medication consumption.



### Accurate SRT Control System

The accurate SRT control system is a material balance control system that enables precise control of the discharge and sludge production, as well as the treatment process in three areas: biological sludge age, hydrolysis tank operation, and dewaterer sludge supply. In particular, the sludge discharge of the biological treatment system is set to different empirical parameters for different regions and seasons. The final sludge discharge is simulated using a water treatment model, fuzzy control, and neural network algorithm calibration. The automatic operation control of the sludge thickening and hydrolysis system is based on parameter control, mainly through a combination of flow rate and redox potential ("ORP") feedback control to precisely controls the influent sludge volume. The system achieves efficient and precise control, thereby reducing energy and drug consumption, while also reducing the water content of the sludge and making the treated sludge easier to dispose of. As a result, the Jingu Sewage Treatment Plant achieved an annual combined energy saving of approximately RMB1 million and was granted a utility model patent.

Smart water management is a complex and crucial issue that constitutes an essential part of modern urban development, requiring continuous exploration. To this end, the Group will invest more resources and manpower in researching new technologies and methods. This includes, but not limited to, more energy-efficient treatment processes and more intelligent water quality monitoring and management measures, so as to achieve a more efficient, environmentally friendly, and sustainable water system that brings benefits and improvements to the cities' development and residents' lives.

## STABLE OPERATIONAL MANAGEMENT

Striking a balance between the pursuit of economic prosperity and addressing social and environmental issues is imperative. To achieve this, the Group recognizes good corporate governance and ESG management as key to quality corporate development, and actively engages with stakeholders. We believe that by leveraging our core competencies of workforce, operational capabilities, and corporate reputation, we can achieve healthy and sustainable growth.

### Sustainability Management

The Group constantly adapts to changes in the internal and external environment, guided by scientific, rational, and feasible strategies to achieve long-term and stable development. We have developed the “Strategic Planning and Management System” to regulate the strategic formulation process involving multiple parties, such as the shareholders’ meeting, the board of directors, the communist party committee, the strategic committee, the general manager’s office, and other strategic management-related departments of the Company. We also adjust the strategic direction based on the risk categories listed in the “Strategic Risk Contingency Management Guidelines” in a timely manner.

Good corporate governance practices are the building blocks of a company’s success, helping the Company to establish and achieve its long-term strategies and goals, and maintain stability in a constantly changing business environment. The board of directors is the apex of the corporate governance structure of the Company and is responsible for developing and implementing the ESG strategy, as well as assuming full responsibility for reporting. The board of directors of the Company is committed to maintaining high standards of corporate governance, and leading the Group in seizing the opportunities and addressing the risks associated with sustainable development.

The Group has established an ESG Working Group to promote sustainability and ESG-related work. The ESG Working Group is responsible for formulating and implementing ESG strategies, and monitoring and evaluating their effectiveness. Additionally, the ESG Working Group regularly communicates and coordinates with stakeholders to ensure the Group’s ESG work adheres to best practices and international standards. To further regulate the Group’s work and progress in sustainable development, we plan to establish an ESG committee with clear and specific responsibilities and management structure in the future. At the same time, the board of directors acknowledges that the current risk management and internal monitoring system does not fully cover sustainability issues. Therefore, the board plans to taking account ESG key issues into the Group’s risk management system to improve risk management work. We believe that developing this work can better safeguard the Group’s progress in sustainability and enhance our sustainable development capabilities.

### Stakeholder Engagement

As a publicly listed company, we are dedicated to meet the needs of our stakeholders and actively collect their feedbacks. These feedbacks are the foundation for continually improving our business processes and services, as well as enhancing our overall competitiveness. The Group also believes that establishing strong relationships and long-term partnerships with our stakeholders is crucial to achieving our sustainable development goals. To this end, we engage in extensive dialogue and communication with our key internal and external stakeholders through our daily operations and various communication channels, in order to understand their expectations and views on the Group's sustainability performance. This information is essential for us to develop our strategy, examine potential risks and opportunities, and build shared values.

This year, we continue to maintain good and orderly communication with various stakeholders, such as the government, investors, employees, industry peers, general public, and value chain partners, to establish long-term, stable, cooperative relationships. While achieving our own development, we will also provide strong support and assistance for their development.

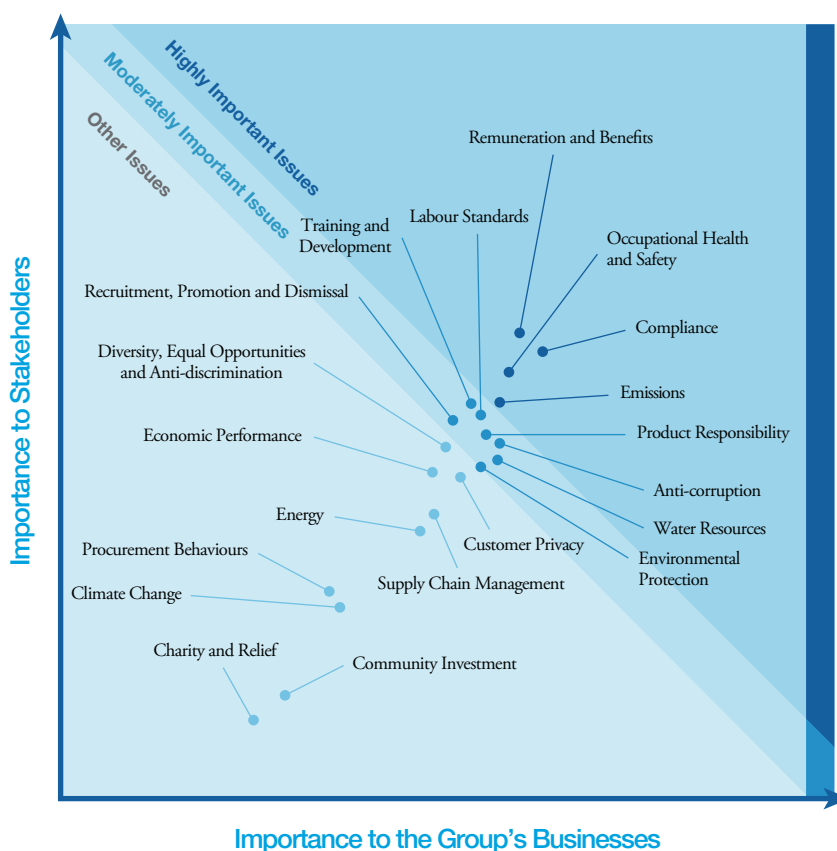
Main Stakeholder Group	Importance	Key Communication Channel	Issue of Concern
Governments	The governments' guidance, support and supervision are the guidelines and starting point for all our business activities. At the same time, some local governments are our clients and service targets.	<ul style="list-style-type: none"> <li>Local Projects</li> <li>Correspondence</li> </ul>	<ul style="list-style-type: none"> <li>Compliance</li> <li>Environmental Protection</li> <li>Supply Chain Management</li> <li>Product Quality</li> </ul>
Investors	Investors are the driving force for our development. The responsibility to provide them with long-term returns is embedded in our core values.	<ul style="list-style-type: none"> <li>Shareholders' Meetings</li> <li>Annual Reports and Announcements</li> <li>Investors Communication Platform</li> <li>Company Website</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Governance</li> <li>Compliance</li> <li>Anti-Corruption</li> <li>Economic Performance</li> </ul>

Main Stakeholder Group	Importance	Key Communication Channel	Issue of Concern
Employees	Employees are the creators of the Group's worth and at the same time, they are the beneficiaries of our development.	<ul style="list-style-type: none"> <li>Grievance channels</li> <li>Employee Congress</li> <li>Performance Evaluation Meeting</li> </ul>	<ul style="list-style-type: none"> <li>Employee Benefits</li> <li>Economic Performance</li> <li>Development and Trainings</li> <li>Health and Safety</li> </ul>
Industry Peers	The healthy and orderly competitions between us and our peers promote the growth of the environmental industry and improve our professionalism and competence.	<ul style="list-style-type: none"> <li>Industry Forums</li> <li>Alliance Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Compliance</li> <li>Procurement Behaviours</li> </ul>
General Public	The general public is the ultimate beneficiary of our services, who also oversees our work and shares the fruits thereof.	<ul style="list-style-type: none"> <li>Community Activities</li> <li>User Seminars</li> <li>Water Safety Visits and Investigation</li> </ul>	<ul style="list-style-type: none"> <li>Environmental Protection</li> <li>Community Investment</li> </ul>
Value Chain Partners	Our value chain partners include manufacturers involved in the provision of products and services in the whole supply chain (both upstream and downstream processes), banks and intermediaries in the capital markets, etc. Sincere cooperation can achieve the goal of a win-win situation for everyone.	<ul style="list-style-type: none"> <li>Meetings</li> <li>Cooperation Agreement Negotiation</li> </ul>	<ul style="list-style-type: none"> <li>Business Ethics</li> <li>Supply Chain Management</li> <li>Product Quality</li> </ul>

## Materiality Assessment

The Group has identified a list of material issues by taking into account various factors, such as industry policy trends, the company's development status, and ESG regulatory requirements. In particular, the Group considers the extent to which these issues affect our businesses and stakeholders as key evaluation factors. By inviting key stakeholders to participate in a questionnaire, the Group assesses and ranks each issue. Finally, a materiality matrix is analyzed for this year. This matrix helps the Group better understand the challenges, risks, and opportunities we face and develop more comprehensive, specific, and effective strategies and action plans to achieve more sustainable development goals.

During the year, we received 365 valid responses from various stakeholders, such as employees, directors, investors, shareholders, and government organizations. As compared to 2021, our participation rate increased by 1.5 times. Through this survey, we identified 11 important ESG issues, including four highly important issues and seven moderately important issues.



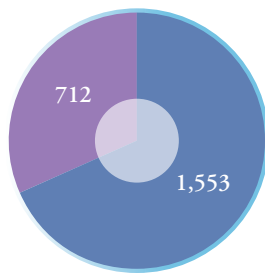
The results of the materiality assessment are similar to those of 2021. In the “ Collaborative Social Development” area, issues such as remuneration and benefits, occupational health and safety, training and development, labor standards, product responsibility, recruitment, promotion and dismissal, and customer privacy were all deemed as more important. In the “ Stable Operational Management” area, anti-corruption and compliance issues continue to be important issues. In the “Sustainable Environmental Optimization” area, along with pollutant emissions and environmental protection, water resources has become an important issue. We have addressed these concerns in the Report and will continue to focus on them in our future operations to fulfill our commitment to sustainable development.

### A Team of Diverse Talents

The Group truly believes that employees are the most valuable asset of an enterprise and the driving force for its development. Adhering to a “people-oriented” management philosophy, the Group has established a fair talent recruitment mechanism that welcomes individuals with an open attitude. We strictly eliminate any discriminatory or screening behavior related to gender, ethnicity, religious beliefs, social status, and other factors. This ensures that employees are respected in their basic human rights and promotes their diverse development.

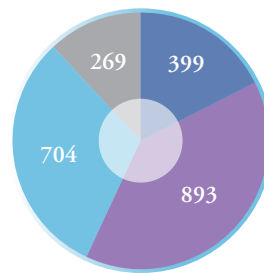
As of December 31, 2022, the Group had 2,265 employees, with a male-to-female ratio of 1:0.46. Their specialties cover a range of fields, including environmental engineering, water supply and drainage, electrical engineering, mechanical equipment, economics, management, and many others. Through the gathering of diversified talents, we have formed a professional, responsible, cooperative, and innovative workforce that creates more value for our customers.

NUMBER OF EMPLOYEES  
BY GENDER



■ Male ■ Female

NUMBER OF EMPLOYEES  
BY AGE



■ 20-29 years old ■ 30-39 years old  
■ 40-49 years old ■ 50 years old or above

The Group places great emphasis on talent management and has formulated many internal policies to ensure compliance with relevant laws and regulations, such as the “Labor Law of the People’s Republic of China” and the “Labor Contract Law of the People’s Republic of China”. Our policies include “Employee Recruitment Management System”, “Employee Compensation Management System”, “Employment Management Requirements” and “Attendance, Leave and Overtime Management System” and “Employee Performance Management System”. These policies are in place to protect the legitimate rights and interests of employees from infringement.

These systems comprehensively cover compensation and dismissal, recruitment and promotion, working hours, leaves, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. With such systems in place, we are committed to providing a fair, open, equal, and diverse work environment that allows our employees to fully develop their talents and realize their personal values. We believe that when employees feel valued and respected, they are more engaged in their work, which in turn contributes to the growth of the Company.

### Salary System

The Group offers attractive salary packages, including a basic salary and performance bonuses. We have implemented a performance management system and an employee reward and punishment system to encourage continuous improvement and increase motivation. We advocate for a differentiated bonus distribution method, providing equal and fair rewards based on employees' contributions, value creation, and efforts.

### Working Hours and Holidays

The Group values the working hours and vacation arrangements of our employees greatly. Apart from the public holidays, our employees are entitled to enjoy annual leave, wedding leave, compassionate leave, maternity leave, paternity leave, sick leave, work-related injury leave, Women's Day leave, family visit leave, and other paid holidays. In the event of working overtime, we will discuss with our employees to provide them with legal compensatory leave or overtime pay.

### Other Welfare and Benefits

The Group highly values the welfare of our employees. To ensure fair and reasonable treatment for all employees, we have established a unified welfare system. This system not only ensures that employees can enjoy various statutory benefits as required by the laws, but also provides additional corporate benefits based on the actual situation.

Regarding employee benefits required by law, the work units will provide payment according to local policies and the relevant system of the Group, including social insurance and housing fund. In terms of company welfare, we offer employees a high temperature subsidy and low temperature subsidy to ensure their health and comfort at work. We also organize cultural activities during employees' free time. All these benefits are designed to make employees feel cared for and supported by the company.

With respect to labor standards, the Group upholds a zero-tolerance attitude toward the use of child labour or forced labour. We strictly adhere to laws and regulations such as the "Law of the People's Republic of China on the Protection of Minors" and the "Regulations on Prohibition of Child Labor," have established a rigorous recruitment mechanism to verify the identity documents of job seekers, ensuring that our employment processes are standardized and regulated to prevent the use of child labor and forced labor from the source. Additionally, we regularly conduct employee training to enhance their awareness and understanding of labor laws and regulations, ensuring that they are aware of their rights and obligations. At the same time, we encourage employees to report any violations they discover, and have established corresponding protection measures for whistleblowers to safeguard their rights. This year, the Group did not engage in any illegal employment of child labor or forced labor.

## Safe and Efficient Operation

### *Safety Management*

The Group places great emphasis on maintaining occupational safety and environmental safety, having developed an occupational health and safety management system in accordance with the ISO 45001:2018 “Occupational Health and Safety Management System Requirements”. To ensure a safe and comfortable working environment, we have implemented a series of measures, such as testing work equipment, monitoring hazard sources, and developing employees’ occupational safety awareness.

To ensure the safety of employees and provide effective protection, the Group has clearly defined the safety production responsibilities of leaders at all levels.

Relevant Person	Safety Production Responsibility
Primary Leader	<ul style="list-style-type: none"> <li>• Enforce national regulations on production safety and establish a sound safety management system;</li> <li>• Organize the formulation of production safety rules, regulations, and education and training plans. Supervise the strict implementation of these rules and regulations by the Group and its affiliated units; and</li> <li>• Develop major accident prevention measures and emergency plans.</li> </ul>
Deputy General Manager in charge of safety production	<ul style="list-style-type: none"> <li>• Responsible for overseeing the daily operations of the Group’s Safety Production Committee Office, including researching and developing solutions for outstanding safety production issues and supervising their implementation;</li> <li>• Conduct safety production meetings to analyze the safety production situation, coordinate efforts, and make decisions; and</li> <li>• Supervise various departments to ensure the fulfillment of their safety production responsibilities and adhere to safety production rules and regulations, and promptly address any negligence in the production process.</li> </ul>



Relevant Person	Safety Production Responsibility
Deputy General Manager in charge of engineering and construction management and Deputy General Manager in charge of operational management	<ul style="list-style-type: none"> <li>• Responsible for protecting the investment in production safety funds and assisting in the investigation and treatment of hidden dangers, as well as accident rectification work;</li> <li>• Organize and supervise competent departments and construction and operation units to implement safety production education and training programs, and oversee the performance assessment of safety production work; and</li> <li>• Supervise and manage the implementation of occupational hazard control and occupational health prevention and control in all units of Group companies.</li> </ul>
Union Chairman	<ul style="list-style-type: none"> <li>• Assist in conducting accident hazard investigations, governance, and rectification work; and</li> <li>• Organize employees to participate in democratic management and democratic supervision of safety production work, and protect employees' legitimate rights and interests in safety production.</li> </ul>
Secretary of Discipline Inspection Commission	<ul style="list-style-type: none"> <li>• Provide support for identifying and managing potential hazards and implementing corrective actions after accidents; and</li> <li>• Coordinate and oversee safety inspections and supervision of production activities.</li> </ul>

The Safety Protection Center is responsible for managing policies related to providing a safe working environment and protecting employees from occupational hazards, including the “Safety Management System” and “Hazardous Chemicals Management System”, among others, and ensuring compliance with relevant laws and regulations. This year, the Group achieved zero work injury loss days and no employees died due to work-related issues.

#### VENUE AND EQUIPMENT SAFETY

The Group takes the following major preventive measures to create a safe working environment in order to safeguard the safety of our employees.



- Potential production safety risks are inspected to identify and correct problems in a timely manner.
- Each department complies with the “Control Procedures of Security and Warning Signs” and conducts routine inspections and maintenance of fire protection facilities and equipment.
- Procedures for purchasing, storing, receiving, using and handling hazardous chemicals are clarified.
- Labour protective equipment are provided for each employee.

#### EMERGENCY MANAGEMENT

For effective control of emergencies and minimising potential injuries, the Group has formulated the “Working Guidelines for Emergency Plan Management System” in accordance with the “Law of the People’s Republic of China on Safety Production” to deal with various potential emergencies such as fire, poisoning, explosion, electric shock, heat stroke, fall from height, mechanical injury and leakage of dangerous chemicals. For all kinds of emergencies, the Group stipulates the signs of accidents, responsible organisation, handling methods and special preventive measures to minimise injuries in emergency events.



#### SAFETY TRAINING

The Group attaches importance to cultivating employees’ occupational safety awareness and formulates safety education and training plans according to employees’ job responsibilities.



In addition to regular training such as fire safety training, hazardous chemical training, environmental and occupational health and safety training, we also stipulate that new employees must receive appropriate safety education before starting work. Other employees must acquire sufficient knowledge and skills before coming into contact with new technologies, equipment and materials.

#### OCCUPATIONAL HEALTH

Each year, the Group organises occupational health checkups for employees to ensure their health. If occupational disease patients are found, each entity will report to the Safety Committee in a timely manner and provide medical treatment and rehabilitation protection for employees as required. The Safety Committee will also regularly study the effectiveness of occupational disease prevention and control.



With regard to female employees, the Group takes their physiological characteristics into account when arranging work and avoids work that is particularly strenuous or harmful to their physiological functions.

### *Quality Management*

Under the guidance of the ISO9001 Quality Management System, the Group has continuously established and improved the internal quality management system, maintained strict quality and safety control standards. To ensure quality, the Group requires each project to formulate quality-related work plans and targets each year, and assess its performance through monthly summaries and analyses of its operation work to continuously identify gaps and improve quality management. This is done in accordance with internal documents such as “Operation Quality Management System” and “Project Quality Management System”.

#### **Project construction**

During the construction process, the Group has established and strictly implemented a “Project Quality Management System”. We have set up a dedicated department to conduct regular inspections of the construction sites, and improve the quality awareness of our employees through meetings and training. Additionally, we have implemented a quality management responsibility system for project management personnels to ensure their accountability for implementing project quality policies and objectives.

#### **Project Operation**

During project operations, the Group establishes and strictly enforces internal rules and regulations such as the “Operation Quality Management System.” Through daily on-site inspections and operation training, the Group continuously improves operation quality. The Safety and Quality Department adheres to the principle of “hierarchical management and hierarchical responsibility” for quality inspection. Quality management departments at all levels educate, train, and assess management personnel, while grassroots unit heads supervise and inspect unit facilities, processes, plant construction, working environment, and industry data management. Business units and departments collaborate and divide tasks, adjusting inspection frequency according to actual operations and monitoring the business operation process in all aspects to ensure service quality.

The Group has established clear duties and procedures for handling accidents in emergency situations. The Emergency Plan Preparation Team collects data, assesses risks and emergency capabilities for different abnormal situations, develops various emergency plans, and categorizes them based on the type and level of accidents. When an accident report is received, each business unit should immediately activate the corresponding level of emergency plan to prevent the accident from spreading and reduce casualties and property losses. Additionally, The Group regularly conducts emergency drills to further improve our response capabilities and verify the feasibility and effectiveness of our emergency plans.

### *Customer Service Management*

We are committed to improving the responsiveness and quality of the 12345 hotline, and making it a priority to address the concerns of the people. We also continue to strengthen our service consciousness and implement follow-up services to ensure that the people's satisfaction with the handling of their business remains at a high level. To achieve this goal, we have taken the following measures:

- Strengthening training: We provide more comprehensive training to all customer service personnel to improve their service level. This includes training in professional ethics, business knowledge, and communication skills.
- Improving management system: We continuously improve the management system and establish a sound assessment and evaluation system to ensure that every customer service staff can perform their duties seriously and responsibly.
- Strengthening supervision and inspection: We have also strengthened supervision and inspection of customer service work to ensure that each link can be effectively implemented to improve service quality and efficiency.

### **Corporate Principle of Compliance and Integrity**

Compliance is the bottom line of business and the foundation of healthy operation. The Group strictly adheres to laws and regulations, such as 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-Corruption Law of the People's Republic of China", and has also developed internal management system documents, including the "Compliance Management System," "Anti-Fraud Management System," and "Internal Reporting System" to ensure the effectiveness of the compliance system.

The Supervision Office was established to oversee the implementation of the Party's style of construction, clean government, and anti-corruption work. It aims to develop a supervision system to strictly monitor the disciplinary behavior of all members of the Group. The Supervision Office conducts disciplinary inspections and administrative supervision of the management, departments, subsidiaries, and their leaders and all other members of the Group. It focuses on the departments and personnel that directly manage money, materials, and projects to ensure their compliance. The Supervision Office has the right to supervise, inspect, investigate, suggest, participate, and punish. It severely punishes all misconduct to maintain the normal operation of the Company.

Anti-fraud Management Policy	The policy clearly defines cheating behavior and its various forms, investigate and establish anti-cheating procedures, and emphasize the group's zero-tolerance policy towards any form of corruption.
Integrity Dialogue Policy	The party organizations and individuals receive constant reminders and warnings through accountability talks, warning talks, and admonishment talks to address issues related to party style and integrity. The goal is to cultivate an awareness of integrity and self-discipline among all employees and establish a corporate culture that is clean and law-abiding.
Measures for the Implementation of Integrity Commitment	Every leading cadre, party member, and key personnel must make a personal commitment to integrity and accept organizational and public oversight.
Internal Reporting System	All employees at every level can report any actual or suspected illegal or undisciplined behavior to the Company's Disciplinary Committee by phone, email, letter, or other means in accordance with the provisions of the "Internal Reporting System". The Supervision Office is responsible for following up and investigating these reports. If the allegations are verified to be true, the Group will hand over the case to the judicial authorities for legal treatment.

The Group places a high importance on employees' awareness of compliance and anti-corruption education, and actively promotes related training activities. This year, we launched anti-corruption training for the board of directors and employees, with each director and employee receiving 12 hours of relevant training.

## SUSTAINABLE ENVIRONMENTAL OPTIMIZATION

### Environment Management

As a leading corporate in the environmental protection industry, the Group is committed to meeting emission standards, providing quality water, and increasing environmental protection efforts. To better respond to national emission reduction plans, we aim to consolidate, expand, and deepen our environmental protection business, striving to protect lucid waters and lush mountains, combat pollution, reduce carbon emissions, and promote the country's vision of building a green ecological civilization. In our business decisions, we prioritize sustainable development and aim for the harmonious coexistence of people and nature, rather than solely pursuing economic benefits. For this purpose, we have conducted ecological and environmental education within the corporate to establish a strong awareness of maintaining ecological security among our employees, and gradually turn environmental protection into a conscious behavior. We cherish water and electricity in our operation processes and work practices, starting from small things and doing things from the side, actively participating in social welfare activities to build an ecological environment that benefits both people and society.

Sewage treatment plants and waste treatment plants are important facilities for environmental protection projects. However, they also have certain impacts on the surrounding environment during construction and operation. Therefore, in the early stage of a construction project, the Group would actively embark on the environmental assessment, submit the assessment report to the Environment Protection Department for approval in accordance with the approval procedures, and then strictly implement the environmental measures proposed in the approval document. During the construction stage of the project, potential environmental impacts such as dust, noise, discharge of sewage and solid waste would all be controlled. Proper measures would be adopted to minimize the impacts on the environment arising from various construction activities. After the commencement of the project, the construction and installation process of environmental protection facilities would be checked, monitored, and recorded accordingly. The application of the pollutant discharge license would be carried out promptly. Moreover, risk early-warning and emergency plans would be prepared and acceptance examination regarding environmental protection would commence once the project is completed. When environmental issues are spotted, they would be solved in a timely manner.

During the operations, the Group has been continuously improving the environmental management system and strictly adhering to all applicable environmental laws and regulations in each operating region. These include the “Environmental Protection Law of the People’s Republic of China”, “Solid Waste Pollution Prevention and Control Law of the People’s Republic of China”, “Water Pollution Prevention and Control Law of the People’s Republic of China”, and “Environmental Impact Assessment Law of the People’s Republic of China” among others. We are committed to managing and reducing the impact of daily operations on the environment, including waste, greenhouse gas emissions, water resources, land pollution, and other issues. In addition, the Group is committed to continuously improving resource management, implementing climate change strategies, and carrying out environmental protection work. This year, no illegal cases related to emissions or the environment were found within the Group.

We have always been striving to find more strategies for environmental protection and preservation. This year, the Group has undertaken the project “Research and Demonstration of Collaborative Treatment, Disposal and Resource Utilization Technology of Urban Kitchen Waste and Municipal Sludge” (2020-Z-001) by the Ministry of Housing and Urban-Rural Development, with the aim of providing more feasible and effective methods for urban waste treatment through research and practice. Currently, we are on schedule to submit the acceptance materials and will start the acceptance work in accordance with the relevant arrangements of the Ministry of Housing and Urban-Rural Development. In addition, the Group has also undertaken the municipal-level project “Research on Typical Emerging PPCP Pollutants Treatment Technology in Urban Sewage Treatment Plants” (19YFZCSF00840), and the research results have been accepted as planned, and successfully applied for the Tianjin Science and Technology Support Key Project “New Technology for Energy Saving and Consumption Reduction of Sewage Treatment in the Context of ‘Dual Carbon’ and its Supporting Intelligent Control Equipment Development and Application”.

We have also developed the industry standard “Technical Regulations for Operation, Maintenance and Safety of Urban Sewage Treatment Plants” (CJJ60), which has been revised based on feedback, and a preliminary draft has been completed for submission. A draft of the national standard “Water Quality for Industrial Use of Reclaimed Water in Urban Areas” (GBT19923) has been submitted for approval. Additionally, we have developed one local standard and eleven group standards. Six of these group standards, including “Technical Regulations for Operation, Maintenance and Safety of Reclaimed Water Transport Systems”, “Technical Specifications for Reclaimed Wastewater Utilization in Rural Areas”, “Guidelines for Ecological Restoration Technology for Estuaries and Coastal Watersheds”, “Evaluation Requirements for Fine Operation and Management Ranking of Urban Wastewater Treatment Plants”, “Evaluation Requirements for Social Open Service Ranking of Urban Wastewater Treatment Plants”, and “Evaluation Requirements for Low-carbon Operation Service Ranking of Urban Wastewater Treatment Plants”, have been officially published and implemented.

This year, we obtained three software copyrights and five technology awards, and added 28 patents. Currently, we hold a total of 149 valid patents, including 31 invention patents, 113 utility model patents, and five design patents. We will continue to work hard to make even greater contributions to environmental protection and technological innovation.

### Green Daily Operation

In the recent years, the Chinese government has placed significant emphasis on the construction of ecological civilization, being committed to reduce carbon emissions per unit of GDP by 60%-65% by 2030 under the Paris Agreement. Additionally, the government has defined development targets in the 14th Five-Year Plan for Energy Conservation and Emission Reduction, which includes a 13.5% reduction in energy consumption per unit of GDP by 2025 compared to 2020, and a significant reduction in all types of emissions. The Group’s Environmental Management System has been certified according to the ISO14000 standard certification. Under the supervision of the Operation Management Center, the Group has formulated and implemented internal management systems and work guidelines such as the “Environmental Protection Work Responsibility System” and “Guidelines for the Classification of Domestic Waste”, with the aim to reduce water and land pollution, hazardous and non-hazardous waste generation, and achieve low carbon emissions reduction from operation management to operation.

### Meeting the Emission Requirements

The Group understands the importance of protecting the environment for our survival and development. We have always adhered to a clean and green production and operation mode, and have implemented strict management of sewage discharge, exhaust emissions, and waste disposal.

In the sewage treatment business, the Group ensures that the treated water discharges comply with local government's sewage quality standards, conducting targeted research work to achieve this objective, including detailed and in-depth studies on different types of sewage. We also enhance the control of sewage discharges by improving the treatment process and optimizing treatment facilities. Throughout the year, the Group treated 1,573,651,200 cubic meters of sewage (excluding commissioned operations), which resulted in a reduction of 389,400 tonnes of COD pollutants, 50,900 tonnes of ammonia nitrogen pollutants, 53,700 tonnes of total nitrogen pollutants, and 6,500 tonnes of total phosphorus pollutants. The Group strictly implements the following standards to ensure the overall effluent quality meet the Class I A and Class I B standards of the Discharge Standards for Pollutants from Urban Sewage Treatment Plants (GB18918-2002), fully satisfying the requirements for safe discharge.

- Water Quality-Determination of Sulfides (GB/T17133-1997), (HJ/T60-2000)
- Water Quality-Determination of the Chemical Oxygen Demand (HJ/T 399-2007)
- Water Quality-Determination of Total Nitrogen (HJ636-2012)
- Water Quality-Determination of Suspended Solids (GB11901-89)
- Water Quality-Determination of Dissolved Oxygen (GB7489-87)
- Water Quality-Determination of Total Phosphorus (GB11893-89)
- Water Quality-Testing for Fecal Coliform from "Water and Wastewater Quality Determination Methods 4<sup>th</sup> edition" published by China Environmental Science Press (Interim Measures)

In terms of air emissions, the primary sources of emissions from the Group's operations this year include the solid waste incineration business, as well as nitrogen oxides, sulfur oxides, and particulate matter generated by the combustion of fossil fuels in stationary equipment and commercial vehicles. We are dedicated to reducing emissions and have implemented various measures, including creating an air pollution control plan and establishing a regular monitoring mechanism for air pollutants generated during our business processes, which is monitored weekly by the Technical Management Department. Furthermore, we are exploring the possibility of introducing additional new energy vehicles, such as electric vehicles, to decrease exhaust emissions.



Additionally, the Group enforces rigorous waste management policies and employs various measures to regulate and optimize resource usage. Waste segregation and management are implemented, and all available resources are recycled to minimize environmental contamination. Specific measures include:

- Adopting the “5R” principle (“Replace”, “Reduce”, “Reuse”, “Recover”, and “Recycle”) for waste management;
- Establishing a waste management system that prioritizes source reduction and ensures that personnel are well-informed of hazardous and non-hazardous waste handling requirements to guarantee proper waste management at the outset;
- Categorizing hazardous and non-hazardous waste and storing hazardous waste separately to prevent environmental hazards; and
- Regularly monitoring the generation and recycling of hazardous and non-hazardous waste, and establishing waste reduction goals based on actual conditions.

During this year, the Group generated a total of 1,040,465 tonnes of waste in the business operations, of which 29,300 tonnes were hazardous waste, including incineration slag, filter press sludge, and fly ash from solid waste operations. The remaining 1,011,165 tonnes were non-hazardous waste, mainly comprising dehydrated sludge. The Group has developed waste management measures for different categories, which are implemented, reviewed, and supervised by different departments, making efforts to recycle as much waste as possible.

### Managing Resources

The Group has always placed great importance on the responsible use of water resources and actively promoted the concept of water conservation. To reduce the amount of water used per person, we have implemented various measures. For instance, we have introduced water-saving faucets and toilet systems. Additionally, we have posted water-saving slogans at various business premises and conducted employee education activities to encourage our employees to cherish water resources and take action to save water. Throughout the year, the Group consumed approximately 2,102,488 cubic meters of water. The water is primarily from municipal water supplies, without issues in sourcing suitable water.

In terms of other resource management, the Group is committed to reducing negative impacts on the environment in order to achieve more sustainable development. We have developed plans to manage resource consumption for different business units, for example, reducing paper consumption and office waste through digitalization and promoting double-sided printing. We also conduct quarterly statistical analysis of consumption data and propose corrective measures for those who do not meet the standards, ensuring that each business unit can contribute to the goal of reducing resource consumption.

## Responding to Climate Change

Responding to climate change has become a significant concern for human society. As global temperatures rise, extreme weather events occur more frequently, and the ecological environment suffers serious damage. In this context, achieving carbon neutrality throughout society has become an inevitable trend for future development. The Group has conducted extensive research on energy-saving and consumption reduction in sewage treatment plants, carbon emission accounting and verification, and other areas. These efforts have made active contributions to developing a carbon-neutral society and continuously strengthening climate change risk management.

This year, the Group's total greenhouse gas emissions were approximately 386,450 metric tonnes of carbon dioxide equivalent. On average, each facility emitted about 6,134 metric tonnes of carbon dioxide equivalent. Notably, the emissions from Scope 3 business travel significantly decreased, with a total reduction of 49.54% compared to the previous year. Moving forward, the Group will continue to develop energy-saving and emission-reduction work plans each year according to the "Energy Management System", promoting zoning lighting arrangements and adopt LED lighting systems, turning off night lighting in public areas, maintaining indoor temperatures between 25 to 26 degrees Celsius. We adjust equipment use to reduce electricity consumption, and gradually eliminate energy-consuming equipment and replace it with energy-saving equipment while still satisfying the quality of sewage treatment, environmental, and safety requirements, to achieve our low-carbon energy goals.

Moreover, the Group is evaluating the physical and transformational risks that may arise from climate change on our business operations. These may include equipment damage due to extreme weather, reduced water supply from drought or insufficient rainfall, and changes in environmental regulations that necessitate continuous business model adjustments. In the future, the Group will integrate climate change-related risks into the risk identification and prevention system, devise contingency management plans, explore technologies that are better suited to tackle the effects of climate change, and enhance our climate change risk response capabilities.

## COLLABORATIVE SOCIAL DEVELOPMENT

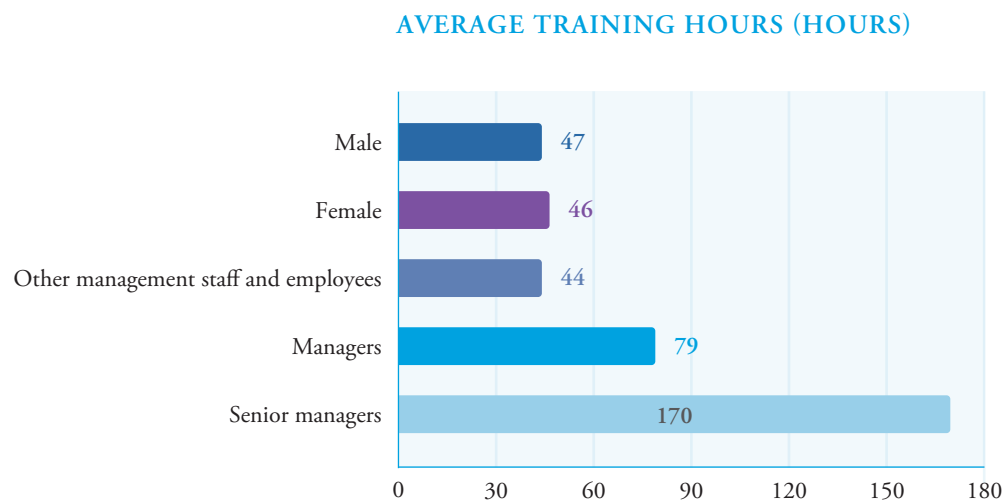
Corporate achievement is closely linked to social development and the enterprises could only survive by growing together with the society. While carrying out business operations, we are committed to growing together with employees, partners, communities, and other stakeholders, and creating a shared value.

Growth of Employees

Adhering to the management concept of “people-oriented,” the Group takes the career development of our employees as our responsibility. Our management strategy is based on the mutual development of our employees and the Group, promoting mutual growth. With years of experience in market development and technology research and development, the Group has established a rational and efficient human resource management system. The Group’s Corporate Management Center formulates policies to improve the knowledge and skills required by employees to perform their job duties. This system is continuously optimized to meet the needs of the Group and its employees.

As technology and market continue to evolve, employees need to constantly update their skills and knowledge to keep up with the times. Therefore, the Group values providing diverse training programs to enhance the professional knowledge and skills of new and existing employees. We consistently enrich our employee training course system to ensure employees can master the latest skills and knowledge. We also standardize and continuously improve training activities at the operational, resource, and strategic levels by establishing a “Training Management System”. This helps us better meet the training needs of employees and aid in their continuous growth and career progression.

Under the guidance of the “Training Management System”, the Group mainly conducted annual training in four categories: quality improvement, mandatory, self-enhancement, and corporate leaders. They were provided to all management levels, business leading departments and entry-level. Additionally, we undertook training and exchange courses for employees to understand the business of other departments and learn from their strengthens with internal staff teaching. For new employees, the Group arranges three levels educational training that helped them to gradually understand our development process and strategy, administrative office and human resources management systems, and knowledge on safe production. They were required to pass the post-training test before setting to work.



## Win-win Value Chain

Sustainable development can never be achieved by a single organisation. We advocated the synergies with business partners and strengthened our communications and collaboration, motivated the upstream and downstream enterprises to jointly improve their sustainable development capabilities. We always value the supply chain management in our work.

The Group's Safety Protection Center is responsible for managing the environmental and social risks of the supply chain. We complied with the ISO 9000 quality management system standards and have established a comprehensive procurement system to select quality suppliers. During the year, we established partnerships with 16,206 major suppliers<sup>2</sup> covering materials such as sewage treatment chemicals, flocculants, equipment and accessories, laboratory supplies and appliances, office and household supplies, as well as equipment repair, facility maintenance, sludge treatment and transportation, property, security, cleaning, meal preparation, monitoring, testing, design and legal service provision.

In order to standardise the selection of suppliers with fairness and impartiality, the Group has formulated and implemented the "Procurement Management System for Non-statutory Bidding Project" for the selection of corresponding procurement methods with different contract amount, such as internal procurement, multi-party comparison, competitive negotiation and public tenders. We have also established a tender evaluation committee to adopt a "comprehensive, meticulous, and systematic" selection approach for screening tenders. For information technology external services and special institutions, such as financing and financial auditing intermediaries, our targeted selection and management system helped guiding the compliance of relevant work.

Additionally, the Group has established a supplier assessment and elimination mechanism in accordance with the "Guidelines for the Evaluation and Management of Service Units". This mechanism assesses the quality of our suppliers' services in various aspects to ensure that we receive quality services. Some of our suppliers have obtained ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 certifications for quality management, environmental management, and occupational health and safety management systems. These certifications demonstrate not only the competence and expertise of our suppliers, but also their commitment to their environmental and social responsibilities. All suppliers are required to adhere to strict business ethics and practice the highest level of integrity in their business operations, while ensuring the quality of the products they provide.

Throughout our cooperation with different parties, we strictly adhere to national and local laws and regulations related to information security and privacy protection. Based on this, we combine our needs for information and privacy management to improve our information security management system. The Group has formulated the "Confidentiality System", which specifies the management requirements for confidential documents, personnel, facilities and information transmission. This system also enhances third-party information security management, including customer information. In addition, each department has been responsible for implementing relevant management measures for different types of information, and the leading group for confidentiality work of the Group has regularly inspected the data protection work carried out by each department.

<sup>2</sup> All are located in Mainland China.

To manage, protect and make use of intellectual property rights, we have formulated and published systems on patents application and maintenance in accordance with the “Patent Law of the People’s Republic of China” and the “Rules for the Implementation of Patent Law of the People’s Republic of China” and in light of the actual situation of the Group. The system specified whole process of managing patent proposal, evaluation, application and maintenance. In addition, we also have respected the intellectual property rights of third parties. As indicated in the “Guidelines for the Management of IT Service Outsourcing”, it was required that the service agreement must clearly stipulate that intellectual property rights must not be infringed.

### Social Welfare

Our business is closely tied to public life, and we are constantly striving to provide reliable sewage treatment and high-quality water sources to the public, ensuring that everyone can enjoy clean water without pollution. In addition to playing an important role in the water utility business, we are also active members of the community, participating in various community activities, providing support and assistance to residents. Moreover, we actively participate in public welfare and disaster relief fundraising activities, promoting traditional virtues such as mutual assistance, poverty alleviation, and assistance to the needy, with the aim to create value for different communities. The Party-masses Department of our Company manages relevant policies and activities to ensure alignment with community interests.

### *Spreading Environmental Knowledge to Co-Create a Better Ecology*

The Group firmly believes that education is the foundation for the continuous progress of society, as well as our corporate social responsibility. As such, our project companies – including Dongjiao Sewage Treatment Plant, Xianyang Road Sewage Treatment Plant, Linxia Capital Water Co., Ltd., Inner Mongolia Bayannur Capital Water Co., Ltd., Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd., Yingshang Capital Water Co., Ltd., Fuyang Capital Water Co., Ltd., Jieshou Capital Water Co., Ltd., Karamay Tianchuang Capital Water Co., Ltd., Xi’an Capital Water Co., Ltd., Jiuquan Capital Water Co., Ltd., Qujing Capital Water Co., Ltd., Hefei Capital Water Co., Ltd., Hangzhou Tianchuang Capital Water Co., Ltd., and Xianning Capital Water Co., Ltd. under Wuhan Tianchuang Capital Environmental Protection Co., Ltd. – have all conducted “Open Day” activities. These activities have given the public the opportunity to experience the sewage treatment process on-site. Not only has this deepened the public’s understanding of our environmental protection work, but it has also raised public awareness of the importance of water resources, thus further promoting environmental protection development. Among these companies, Jingu Sewage Treatment Plant, as the first batch of pilot units open to the outside world in Tianjin, has continuously improved efforts to promote the opening of environmental protection facilities to the public since 2018, in order to play its role in publicity and education, and to ensure the public’s rights to know, supervise and participate, and hence further urge enterprises to continuously improve their environmental management levels under the supervision of the public. During the year, the Jingu Sewage Treatment Plant received seven visits from environmental protection departments, universities and colleges, and members of the community, with a total of 419 visitors.

In addition to the opening activities of environmental protection facilities, the Group is committed to investing resources in environmental protection and public education, and expanding communication channels. The Party branch of the Capital Environmental Protection Beicang Sewage Treatment Plant has launched community activities to explain environmental knowledge to children in the community. They showed samples of raw sewage, activated sludge, and effluent, and introduced related professional knowledge such as sewage treatment process. We also conducted sewage treatment Q&A activities with children to promote the significance of sewage treatment in protecting the environment. In addition, on “World Environment Day,” Honghu Tianchuang Water Co., Ltd., Xianyang Road Sewage Treatment Plant, Inner Mongolia Bayannur Capital Water Co., Ltd., Dalian Oriental Chunliuhe Water Quality Purification Co., Ltd., Fuyang Capital Water Co., Ltd., Jieshou Capital Water Co., Ltd., Karamay Tianchuang Capital Water Co., Ltd., Linxia Capital Water Co., Ltd., Xi'an Capital Water Co., Ltd., and Xianning Capital Water Co., Ltd. also actively launched publicity activities to raise public awareness of ecological environmental protection to build a clean and beautiful world.

#### *Contributing to Poverty Alleviation and Caring for Vulnerable Groups*

Over the past years, the Group has increased the investment in public welfare and encouraged employees to devote themselves to public welfare, actively fulfilling the social responsibility. To consolidate and expand the results of poverty alleviation and rural revitalization, the Group purchases poverty alleviation products for consumption in the recipient areas. For example, Hangzhou Tianchuang Capital Water Co., Ltd. purchased 72 bags of rice in the form of “purchase instead of donation” for poverty alleviation. Additionally, to support national east-west cooperation and counterpart support work, the Group actively mobilized talent to sign up for aid work in Tibet. The Group communicated the details of the aid work in Tibet from May 2022 and successfully selected and sent outstanding talents to work in Changdu City, Tibet for three years. This will contribute to the goal of aid work in Tibet, which is “promoting the leapfrog development of the Tibetan economy and society, promoting the general situation of society and long-term peace and stability”.

Meanwhile, the Dongjiao Sewage Treatment Plant organized a clothing donation event with the theme of “Sending Love through Donating Old Clothes to Warm Hearts in Snowy Areas” to reinforce the poverty alleviation efforts, actively encouraging employees to donate 188 pieces of clothing and 16 pieces of sports equipment to help underprivileged children in Tibet survive the winter. Furthermore, the female workers of Capital Environmental Protection Labor Union, Tianjin Caring Technology Development Co., Ltd., Shandong Capital Environmental Protection Technology Co., Ltd., Yingshang Capital Water Co., Ltd., Huoqiu Capital Water Co., Ltd., Wuhan Tianchuang Capital Environmental Protection Co., Ltd., and other affiliated companies, have spread love and kindness by actions such as participating in a “Charity Donation Day”, donating books to children in remote areas, visiting lonely elderly individuals, and providing financial assistance to high school students to help them fulfill their dreams of attending colleges.

## KEY PERFORMANCE INDICATORS OVERVIEW

Environmental Key Performance Indicators <sup>3</sup>	2022	2021
<i>Air pollutants emissions<sup>4</sup></i>		
Nitrogen oxides (tonnes)	29,441	20,100
Sulphur oxides (tonnes)	2,341	1,810
Respiratory suspended particles (tonnes)	1,319	1,240
Carbon monoxide (tonnes)	2,242	1,802
Hydrogen chloride (tonnes)	0,699	0,495
<i>Greenhouse gas emissions<sup>5</sup></i>		
Scope 1 (tonnes of carbon dioxide equivalent) <sup>6</sup>	3,553	2,084
Scope 2 (tonnes of carbon dioxide equivalent) <sup>7</sup>	382,852	401,806
Scope 3 (tonnes of carbon dioxide equivalent) <sup>8</sup>	45	90
Total greenhouse gas emissions (tonnes of carbon dioxides equivalent)	386,450	403,980
Greenhouse gas intensity (tonnes of carbon dioxide equivalent/facility)	6,134	6,847
<i>Waste</i>		
Total non-hazardous waste (tonnes)	1,011,165	1,013,021
Non-hazardous intensity (tonnes/facility)	16,050	17,170
Total hazardous waste (tonnes)	29,300	26,650
Hazardous waste intensity (tonnes/facility)	465	452

<sup>3</sup> Some 2021 figures has been restated using the latest statistical methods.

<sup>4</sup> Includes emissions from solid waste combustion projects, as well as emissions from other stationary equipment and vehicles running on fossil fuels. The emissions of solid waste combustion projects are calculated based on the records of the pollutant monitoring system; for other emissions, refer to the emissions factors in HKEx's "How to Prepare Environmental, Social and Governance Reports – Appendix 2: Reporting Guidance on Environmental KPIs", Ministry of Ecology and Environment of the People's Republic of China "Technical Guidelines on Preparation of Emission Inventory of Air Pollutants from Road Vehicles" and "Manual of Pollutant Emission Coefficients from Domestic Pollution Sources".

<sup>5</sup> Calculation method refers to HKEx's "How to Prepare Environmental, Social and Governance Reports – Appendix 2: Reporting Guidance on Environmental KPIs" and "2006 IPCC Guidelines for National Greenhouse Gas Inventories".

<sup>6</sup> Including emissions from the combustion of fossil fuels in fixed equipment and vehicles, as well as fugitive emissions from fire suppression systems.

<sup>7</sup> Including indirect emissions from purchased electricity and heat. The national average emission factor for electricity, updated annually by the Ministry of Ecology and Environment, is used to calculate electricity emissions. The heat emissions factor is 0.11 tons of CO<sub>2</sub> per GJ.

<sup>8</sup> Including indirect emissions from employee business travel by air

Environmental Key Performance Indicators <sup>3</sup>	2022	2021
<b><i>Energy consumption</i></b>		
Natural gas (MWh)	5,922	3,336
Gasoline (MWh)	1,670	2,162 <sup>9</sup>
Diesel (MWh)	601	583 <sup>10</sup>
Purchased electricity (MWh)	648,246	676,864
Purchased heat (MWh)	15,711	16,643
Total energy consumption (MWh)	672,150	699,588
Energy intensity (MWh/facility)	10,669	11,857
<b><i>Water consumption</i></b>		
Total water consumption (cubic metres)	2,102,488	1,603,503
Water consumption intensity (cubic metres/facility)	33,373	27,178

<sup>9</sup> Gasoline consumption by vehicles is estimated by RMB 7 per litre.

<sup>10</sup> Only includes diesel consumed by vehicles. It is estimated by RMB 7 per litre.



## 2022 Environmental, Social & Governance Report

### Social Key Performance

Indicators		2022	2021
<i>Number of employees<sup>11</sup></i>			
<i>Gender</i>	Male	1,553	1,588
	Female	712	712
<i>Age</i>	19 years old or below	0	0
	20-29 years old	399	489
	30-39 years old	893	890
	40-49 years old	704	658
	50 years old or above	269	263
<i>Geographical region</i>	Beijing-Tianjin-Hebei region	839	837
	Northern region	650	648
	Southern region	776	815
<b>Total</b>		<b>2,265</b>	<b>2,300</b>
<i>Employee's turnover rate</i>			
<i>Gender</i>	Male	5.6%	7.2%
	Female	4.1%	4.9%
<i>Age</i>	19 years old or below	0%	0%
	20-29 years old	9.5%	9.0%
	30-39 years old	4.6%	7.2%
	40-49 years old	1.7%	4.3%
	50 years old or above	9.3%	5.3%
<i>Geographical region</i>	Beijing-Tianjin-Hebei region	1.9%	2.2%
	Northern region	5.4%	10.3%
	Southern region	8.4%	8.0%
<b>Total</b>		<b>5.1%</b>	<b>6.5%</b>

<sup>11</sup> All employees in the Group's reporting boundary were full-time employees.

## Social Key Performance

Indicators		2022	2021
<i>Percentage of trained employees</i>			
<i>Gender</i>	Male	99.1%	98.8%
	Female	99.4%	96.9%
<i>Employment type</i>	Other management staff and employees	97.5%	86.6%
	Managers	100%	100%
	Senior managers	100%	100%
Total		99.2%	98.2%
<i>Average training hours of employees (hours)</i>			
<i>Gender</i>	Male	47	57
	Female	46	70
<i>Employment type</i>	Other management staff and employees	44	56
	Managers	79	85
	Senior managers	170	113
Total		46	58
<i>Anti-corruption training</i>			
<i>Average training hours (hours)</i>	Employee	12	12
	The Board	12	12

## HKEX ESG REPORTING GUIDE AND GRI STANDARDS CONTENT INDEX

GRI Standard	HKEx General Disclosure and Key Performance Indicators	Content	Page Index/Remarks
<i>A. Environmental</i>			
<i>A1 Emissions</i>			
GRI 305 GRI 306	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.	22-23  Important laws and regulations applicable to the Group include the “Law of the People’s Republic of China on Environmental Protection”, the “Law of the People’s Republic of China on Prevention and Control of Air Pollution”, and “the Law of the People’s Republic of China on Prevention and Control of Environmental Pollution by Solid Waste”. These laws and regulations set out the requirements for air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste clearly. Any violation of these laws and regulations can lead to fines, suspension of operations, and/or legal proceedings against the Group by regulatory authorities.  During the year, the Group was not aware of any violations relating to emissions.
GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4 GRI 305-7	A1.1	The types of emissions and respective emissions data.	30
GRI 305-5	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	30
GRI 306-2	A1.3	Total hazardous waste produced and intensity.	30
GRI 306-2	A1.4	Total non-hazardous waste produced and intensity.	30

GRI Standard	HKEx General Disclosure and Key Performance Indicators		Page Index/Remarks
	Indicators	Content	
–	A1.5	Description of emission target(s) set and steps taken to achieve them.	23, 25  Dedicated to reducing air pollutants and greenhouse gas emissions, the Group will continue monitoring and recording these emissions, and set specific emission reduction targets by 2025.
GRI 306-2	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.	24  Dedicated to enhancing waste reduction, the Group will continue monitoring and recording the amount of waste generated and disposed of, and set specific waste reduction targets by 2025.
<i>A2 Use of Resources</i>			
GRI 301 GRI 302 GRI 303	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	22, 24
GRI 302-1 GRI 302-3	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	31
GRI 303-5	A2.2	Water consumption in total and intensity.	31

GRI Standard	HKEx General Disclosure and Key Performance Indicators		Page Index/Remarks
	Indicators	Content	
–	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	25  Dedicated to improving energy management performance and efficiency continuously, the Group will continue monitoring and recording energy consumption, and set specific energy-saving targets by 2025.
–	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.	24  Dedicated to improving water management performance, efficiency, and recycling continuously, the Group will continue monitoring and recording water consumption, and set specific targets related to water resources by 2025.  During the year, the Group did not encounter any issues in sourcing water that is fit for purpose.
GRI 301-1	A2.5	Total packaging material used for finished products and per unit produced.	It is not relevant to the Group's business.
<i>A3 Environment and Natural Resources</i>			
–	General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	21
–	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	21
<i>A4 Climate Change</i>			
–	General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	25
–	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.	25

HKEx General Disclosure and Key Performance			
GRI Standard	Indicators	Content	Page Index/Remarks
<i>B. Social</i>			
<i>B1 Employment</i>			
GRI 401	General disclosure	Information on:	13-14
GRI 405		(a) the policies; and	Important laws and regulations applicable to the Group include the “Labor Law of the People’s Republic of China” and the “Labor Contract Law of the People’s Republic of China”. These laws and regulations cover a range of requirements related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, which clearly outline the statutory obligations and responsibilities of employers.
GRI 406		(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.	
			During the year, the Group was not aware of any violations relating to employment.
GRI 102-7	B1.1	Total workforce by gender, employment type, age group and geographical region.	32
GRI 102-8			
GRI 405-1			
GRI 401-1	B1.2	Employee turnover rate by gender, age group and geographical region.	32

HKEx General Disclosure and Key Performance Indicators			
GRI Standard	Indicators	Content	Page Index/Remarks
<i>B2 Health and Safety</i>			
GRI 403	General disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(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.</p>	<p>15-17</p> <p>Important laws and regulations applicable to the Group include the “Law of the People’s Republic of China on Work Safety”, the “Law of the People’s Republic of China on Prevention and Control of Occupational Diseases”, and the “Regulations of the People’s Republic of China on Work-Related Injury Insurance”. These laws and regulations impose specific requirements on production and operation units as well as employers to provide a safe working environment and protect employees from occupational hazards.</p> <p>During the year, the Group was not aware of any violations relating to health and safety.</p>
GRI 403-9	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	No work-related fatalities occurred in the past three years.
GRI 403-9	B2.2	Lost days due to work injury.	No work-related injury incidents occurred.
–	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	15-17

HKEx General Disclosure and Key Performance			
GRI Standard	Indicators	Content	Page Index/Remarks
<i>B3 Development and Training</i>			
GRI 404	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	26
–	B3.1	The percentage of employees trained by gender and employee category.	33
GRI 404-1	B3.2	The average training hours completed per employee by gender and employee category.	33
<i>B4 Labour Standards</i>			
GRI 408 GRI 409	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.	14  Important laws and regulations applicable to the Group include the “Labor Law of the People’s Republic of China” and the “Law of the People’s Republic of China on the Protection of Minors”. These laws contain clear provisions on the child labor or forced labor, and explain the legal responsibilities of employers in details.  During the year, the Group was not aware of any violations relating to labor standards.
GRI 408-1	B4.1	Description of measures to review employment practices to avoid child and forced labour.	14
GRI 409-1	B4.2	Description of steps taken to eliminate such practices when discovered.	14



HKEx General Disclosure and Key Performance Indicators			
GRI Standard	Indicators	Content	Page Index/Remarks
<i>B5 Supply Chain Management</i>			
GRI 308 GRI 414	General disclosure	Policies on managing environmental and social risks of the supply chain.	27
–	B5.1	Number of suppliers by geographical region.	27
–	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.	27
–	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	27
–	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	27

HKEx General Disclosure and Key Performance Indicators			
GRI Standard	Indicators	Content	Page Index/Remarks
<i>B6 Product Responsibility</i>			
GRI 206 GRI 416 GRI 418	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.	18, 27-28  Important laws and regulations applicable to the Group include the “Company Law of the People’s Republic of China” and the “Personal Information Protection Law”. These laws and regulations establish specific requirements for corporate compliance and privacy matters.  During the year, the Group was not aware of any violations relating to product responsibility.
–	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	It is not relevant to the Group’s business.
–	B6.2	Number of products and service-related complaints received and how they are dealt with.	No complaint was received by the Group.
–	B6.3	Description of practices relating to observing and protecting intellectual property rights.	28
–	B6.4	Description of quality assurance process and recall procedures.	18-19
–	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	27

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HKEx General Disclosure and Key Performance Indicators			
GRI Standard	Indicators	Content	Page Index/Remarks
<i>B7 Anti-corruption</i>			
GRI 205	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.	19-20  Important laws and regulations applicable to the Group include the “Law of the People’s Republic of China Against Unfair Competition”, the “Law of the People’s Republic of China Against Money Laundering”, and the “Criminal Law of the People’s Republic of China”. These laws set out clear provisions for the prevention of bribery, extortion, fraud, and money laundering. They also outline the legal responsibilities of each individual in maintaining social integrity and fairness, and stopping unfair competition.  During the year, the Group was not aware of any violations relating to anti-corruption.
GRI 205-3 GRI 102-17	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the year and the outcomes of the cases.	During the year, there were no concluded litigation cases regarding corrupt practices brought against the Group or its employees.
–	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	19-20
GRI 205-2	B7.3	Description of anti-corruption training provided to directors and staff.	33
<i>B8 Community Investment</i>			
GRI 203 GRI 413	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.	28
GRI 203-1	B8.1	Focus areas of contribution.	28-29
–	B8.2	Resources contributed to the focus area.	28-29